

Audit and Governance Committee



Date of meeting:	11 December 2024
Title of Report:	Approval of Statement of Accounts 2021/22 & 2022/23 Under the Backstop Arrangements
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Carolyn Haynes
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Your Reference:	SoA 21/22 & 2022/23/Audit Dec 2024
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Members formally approved the draft Statement of Accounts for 2021/22 on the 29 September 2022 and the draft Statement of Accounts for 2022/23 on the 25 July 2023.

The Statement of Accounts for 2021/22 and 2022/23 will not be subject to an external audit but will instead be subject to the provision of the backstop legislation and anticipated to be finalised before 13 December 2024.

The revised Statement of Accounts for 2021/22 is attached as Appendix A and the revised Statement of Accounts for 2022/23 is attached as Appendix B.

Recommendations and Reasons

1. To **approve** the Statement of Accounts for 2021/22 attached as Appendix A and the Statement of Accounts for 2022-23 attached as Appendix B.
 - a. Reason: Statutory Requirement, the Accounts and Audit Regulations 2015 require the accounts to be:
 - i. Considered by committee;
 - ii. Approved by committee resolution;
 - iii. Signed and dated by the person presiding at the committee.
2. To delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the letters of representation to Grant Thornton LLP for the Council and to sign the accounts.
3. To **note** the amendments to the 2021/22 and 2022/23 accounts and that they will not be subject to an external audit but will instead be subject to the provision of the backstop legislation and are anticipated to be finalised before 13 December 2024.
4. To consider the contents of the Audit Opinions for the Council (Appendices C and D).
5. The Letters of Representation attached as Appendix E & F are authorised and submitted to the Auditor.

Alternative options considered and rejected

- I. None – It is a statutory requirement to produce and approve the Statement of Accounts.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

Implications for the Medium-Term Financial Plan and Resource Implications:

The changes actioned in both these sets of accounts will flow into the opening balance sheet position for 2023/24 Statement of Accounts and will have implications on the Medium-Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects.

Financial Risks

The Statement of Accounts includes a high-level summary of the Council's financial risks.

Carbon Footprint (Environmental) Implications:

N/A

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

The main risk associated with the late completion and publication of the statement of accounts for a local authority, particularly those where a disclaimed (no assurance) opinion is reputational. However, in the current circumstances there is a significant number of Councils in this position across the country. Most have had their audit process cut short by the backstop arrangements, through no fault of their own. The accounts have been produced in a professional manner and been signed off as representing a 'true and fair' view by the S151 Officer. Government have also asked auditors to be clear about this in their reporting and that assurance on audits will be rebuilt over several future reporting cycles.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Audited Statement of Accounts 2021/22							
B	Audited Statement of Accounts 2022/23							
C	Audit Opinion Report 2021/22							
D	Audit Opinion Report 2022/23							
E	Letter of Representation 2021/22							
F	Letter of Representation 2022/23							

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

Fin	HS.24 .25.30	Leg	N/A	Mon Off	LS/00 0360 9/24/ LB/10 /12/1 4	HR	N/A	Asset s	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: David Northey											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 05/12/2024											
Cabinet Member approval: Councillor Mark Lowry agreed verbally Date approved: 10/12/2024											

Final Statement of Accounts 2021/22 and 2022/23

1. Introduction

- 1.1 Members will be aware from previous reports and discussions that the external audits of the Councils 2021/22 and 2022/23 draft statement of accounts have been delayed for some time pending government direction on how to address the national backlog. This is not an isolated situation and nationally as at 30 September 2023 the number of outstanding opinions across England stood at 918.
- 1.2 The arrangements for audit of local authority accounts were amended by the Accounts and Audit (Amendment) Regulations 2024 – known as the “backstop” legislation – which came into force on 30 September 2024. Although the Council accounts for 2021/22 and 2022/23 (Appendices A & B) will still contain the auditor’s opinion upon finalisation, the backstop legislation does not allow time for an external audit to take place.
- 1.3 The draft Statement of Accounts 2021/22 were approved by the Service Director for Finance on the 31 July 2022 and presented to this committee on the 29 September 2022 and the draft Statement of Accounts for 2022/23 were approved by the Service Director for Finance on the 20 June 2023 and presented to Audit & Governance Committee on the 25 July 2023.
- 1.4 The Statement of Accounts have now been amended and the Final Statement of Accounts for 2021/22 and 2022/23 are being presented to the Committee for approval prior to publication on the Council's website.

2. Background to the Delay in Final Publication of the 2021/22 & 2022/23 Accounts

- 2.1 For a wide range of reasons, there has been a significant national backlog in the publication of audited accounts in local government. The backlog undermines accountability in the local government sector and reduces information available to the users of the accounts.
- 2.2 The Accounts and Audit (Amendment) Regulations 2024 came into force on 30 September 2024 and provided for statutory ‘backstop’ arrangements in three phases to help clear the backlog of audits and rebuild assurance. The backstop dates were also brought forward by the new government to earlier than previously set out.
- 2.3 The first phase which has a backstop date of 13 December 2024 involves clearing the backlog of historic opinions up to and including the financial year 2022/23. Phase 2 uses various backstop dates to allow assurance to be rebuilt over several years so as not to cause a recurrence of backlog issues. Phase 3 involves reforming the local audit system to address the challenges and ensure timely financial reporting and audit.

3. Audit Completion Reports

- 3.1 As a result of the position on the two legacy audits for Plymouth, Grant Thornton have determined that they are unable to complete all the necessary procedures to obtain sufficient evidence to provide an opinion on the 2021/22 and 2022/23 accounts and have therefore issued a Disclaimed opinion in respect of both financial years. The basis of this Disclaimer of opinion can be found in the Audit Findings Report to ‘Those Charged with Governance’ being presented to this committee and the Audit Opinion Reports are attached as Appendices C and D.

- 3.2 The external auditor's value for money commentary for 2021/22 was presented to this committee on the 28 November 2022 and their value for money commentary for 2022/23 was presented on the 12 March 2024. The findings on this are repeated in the Auditors Annual Reports for 2021/22 and 2022/23 which are also being presented to this committee as part of today's agenda.
- 3.3 The Audit Findings Reports for 2021/22 and 2022/23 are also being presented by Grant Thornton to this Committee on today's agenda.
- 3.4 Upon consideration of the Audit Findings Report, members are asked to delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the letters of representation attached as Appendix E and F to Grant Thornton LLP for the Council and to sign the accounts.
- 4. Annual Governance Statement 2021/22 and 2022/23**
- 4.1 The approved Annual Governance Statement (AGS) is required to be published alongside the Council's financial statements. The AGS for 2021/22 was submitted for review by this committee on the 29 September 2022 and the AGS for 2022/23 was submitted to the Audit & Governance Committee for review on the 25 July 2023. A review of these documents has determined that no changes are required.
- 5. Changes from draft publication of the 2021/22 draft Accounts**
- 5.1 The GT Audit Findings Report is being presented to this committee. This is on the basis that the backstop legislation and limitations on the external audit resource do not allow for the accounts to be audited.
- 5.2 The draft accounts for 2021/22 have been adjusted to reflect issues raised in the GT Audit Findings Reports of the accounts for 2019/20 and 2020/21, the main changes are listed below:
- Changes to reflect the accounting treatment of the pension transaction from 2019/20 and associated movements through reserves;
 - Removal of associated Minimum Revenue Provision (MRP) in relation to the pension transaction and associated reserve movements;
 - Changes to the accounting treatment of the Interest Rate Swap (previously accounted for as a Hedge transaction);
 - Amendments to the notes on Heritage Assets to add items below £100k & special books collection;
 - Correction to Property, Plant & Equipment (PPE) arising from making annual depreciation charges on "material" assets revalued as at 31 March.
- 6. Changes from draft publication of the 2022/23 draft Accounts**
- 6.1 The GT Audit Findings Report is being presented to this committee. This is on the basis that the backstop legislation and limitations on the external audit resource do not allow for the accounts to be audited.
- 6.2 The draft accounts for 2022/23 have been adjusted for the following:
- Changes to reflect the accounting treatment of the pension transaction from 2019/20 and associated movements through reserves;

- Removal of associated Minimum Revenue Provision (MRP) in relation to the pension transaction and associated reserve movements;
- Changes to the accounting treatment of the Interest Rate Swap (previously accounted for as a Hedge transaction);
- Amendments to the notes on Heritage Assets to add items below £100k & special books collection
- Correction to PPE arising from the current year depreciation on “material” assets not written out as part of the revaluations.

7. Letter of Representation & Audit Completion

- 7.1 Appendices E and F are letters of representation from the Council to the external auditor and set out certain facts the external auditor has relied upon to complete their reports. These require approval by the Audit and Governance Committee, although delegated permission for the Section 151 Officer and Chair to sign this is being sought at this committee today.
- 7.2 The audited accounts for 2021/22 and 2022/23 for the Council can then be approved by the Committee and this will mark the end of accounting process for these two financial years. The audited accounts will be published on the website and the 2023/24 accounts will then be the latest open set of Council accounts.
- 7.3 It is likely to take several financial years to move from a set of disclaimed audit opinions to a true and fair view on the financial position. Grant Thornton are currently auditing the accounts for 2023/24. The backstop date for the 2023/24 financial year is 28 February 2025. Further information will be presented to Committee on this set of accounts in due course.