

Audit and Governance Committee

Wednesday 11 December 2024

PRESENT:

Councillor Finn, Vice Chair in the Chair.

Councillors Cuddihee, Freeman (substitute for Councillor Allen), Krizanac (substitute for Councillor Stevens) and Raynsford.

Apologies for absence: Councillors Allen, P.Nicholson, Stevens and Independent Member Annette Benny.

Also in attendance: Councillor Lowry, Liz Bryant (Head of Legal Services), Carolyn Haynes (Acting Head of Finance), Ross Jago (Head of Governance, Performance and Risk), Oliver Woodhams (Head of Finance) and Paul Dossett (Grant Thornton (via Microsoft Teams)) and David Johnson (Grant Thornton (via Microsoft Teams)).

The meeting started at 10.05 am and finished at 11.08 am.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

54. **Declarations of Interest**

No declarations of interest were made.

55. **Chair's Urgent Business**

There were no items of Chair's urgent business.

56. **Auditors Annual Report**

Carolyn Haynes (Acting Head of Finance) gave context on the meeting and highlighted:

- a) Apologised for the lateness of the reports;
- b) The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance circulated to Committee Members had not been issued until 9 December 2024;
- c) The audit opinion had not been received until late on 3 December 2024 and the consequential reports then had to be written and assimilated;
- d) As of 30 April 2024, 369 sets of local authority accounts out of a total of 625 for the financial years 2020/21 and 2022/23 were still waiting to be audited;

- e) Local authorities across England and Wales had experienced a significant backlog in completion of audits for several years which had been reported as a crisis;
- f) In February 2024 the Ministry for Homes, Communities and Local Government (MHCLG) issued a joint statement with CIPFA and the Finance Reporting Council (FRC) on proposals to address the backlog as a three stage process;
- g) New statutory backstop dates for all finance years up to and including 2027/28 needed to be established;
- h) Long-term work was required to address the systemic challenges that had led to this audit backlog;
- i) 13 December 2024 had been set as the backstop date for all outstanding audits up to and including 2022/23;
- j) Plymouth City Council had two financial year statements affected by the backstop for 2021/22 and 2022/23;
- k) The accounts for 2019/20 and 2020/21 would be signed off by 13 December 2024 with an unmodified opinion and were not affected by the backstop position;
- l) Draft accounts were published on the Council's website and had been presented to the Audit and Governance Committee previously;
- m) Auditors were contracted audit to professional standards and in accordance with the code of practice;
- n) A Disclaimed Opinion from Grant Thornton was included within the report and was worded as follows: 'Grant Thornton had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements due to an outstanding legal issue which had now been resolved and capacity issues within Grant Thornton over the last four years, it had not been possible for Grant Thornton to complete their work on the audit for 2021/22 and 2022/23 and therefore they had issued a disclaimed opinion';
- o) The Disclaimed Opinion implications included:
 - i) The Council had, in recent years, received an unmodified or unqualified opinion and the most recent accounts for 2019/20 and 2020/21 received an unmodified opinion. As this was a national issue affecting many local authorities, the Government may have to intervene to provide more assurance for those authorities receiving a disclaimed opinion under the statutory back stop arrangement;
 - ii) The Council would be working hard to ensure that they provided the necessary evidence in future audits to restore public confidence in accounts and to work towards receiving an unmodified opinion as soon as possible;
- p) The Public Sector Audit Appointments Panel set Audit Fees at a scale fee for 2021/22 of £111,393 and for 2022/23 of £122,255. The Audit Fees for 2023/24 were £375,258 and for

2024/25 were £409,064.

Councillor Lowry (Cabinet Member for Finance) added:

- q) Audits were now undertaken by private firms such as Grant Thornton; this service used to be provided by the Audit Commission;
- r) The report was up to three years out of date and addressed issues which were no longer relevant;
- s) Due to there no longer being an Audit Commission, and every Council had to use private firms, there was a lack of capability and capacity;
- t) A detailed action plan was needed from the auditors outlining what they were going to audit, and when they were going to do it, to prevent the delay happening again.

Paul Dossett (Grant Thornton) added:

- u) Grant Thornton had signed over 80% of audits from 2022/23 and earlier;
- v) Plymouth City Council had complied with the regulations in terms of producing accounts, however there had been an ongoing legal issue which had led to the backstopping of two audits;
- w) This report had been brought before the Committee previously as an 'interim' report, but now was able to be finalised.

In response to questions, supported by Oliver Woodhams (Head of Finance) and David Johnson (Grant Thornton) it was explained:

- x) The legal issue was resolved when Plymouth City Council was able to redraw the accounts from 2019/20;
- y) Outside of work around value for money, no audit procedures had been carried out on the reports from two years ago;
- z) Due to the Government implementing the backstop, Grant Thornton had been unable to provide audit assurance on the 2021/22 and 2022/23 accounts;
- aa) Imposing a backstop did not solve the fundamental problem of the lack of auditors;
- bb) It was suggested that the Chair of the Audit and Governance Committee would meet with council officers and Grant Thornton auditors on a regular basis to ensure documents were not brought before Committee so late again;
- cc) There needed to be a period of recovery in which audits would be carried out as normal, including the in-year transactions and closing balances, but there would also be work on opening balances which would comments in 2024/25 and 2025/26;

- dd) An Audit opinion for 2022/23 would be received by the Council on 30 December 2024, and an Audit Opinion for 2023/24 would be received by the Council by March 2024 for 2023/24;
- ee) A 'normal' Disclaimed Opinion was when auditors could not place reliance on the numbers, however this Disclaimed Opinion was by Statute, meaning the Government imposed the Disclaimer, preventing auditors from finishing audits and reaching conclusions;
- ff) Closing balances and in-year transaction audits would still be carried out in 2024/25, it was the auditing of opening balances that there was not clarity on from the Government;
- gg) Auditing standards determines what auditors had to focus on, although the Government might be considering another model for local government auditing in the future;
- hh) Grant Thornton would adhere to report deadlines to ensure Councillors had enough time to read the report before the meeting in February 2025 to approve the statement of accounts for 2023/24;
- ii) The backstop process was unique to reset the sector and move audits forward and all auditors would be working on one set of accounts from 2024/25;
- jj) Audit work would be carried out on future years and levels of assurance would increase the more years that pass from the backstop arrangements, but the process of recovery had begun;
- kk) The backstop arrangement would allow Carolyn Haynes and her team to focus on the audit for 2023/24.

During the discussion, concerns about the timing of reports were raised:

- ll) Councillors expressed their frustration and concern of receiving reports late the evening before the meeting which did not allow them to carry out their role properly as members of the Committee;
- mm) Councillors wanted to ensure that this issue did not occur again ahead of the meeting in February 2025 to approve the 2023/24 Statement of Accounts;
- nn) Grant Thornton had been holding regular meetings with Carolyn Haynes and her team with regards to the 2023/24 audit and recognised following comments made with regards to the lateness of the reports for this meeting that appropriate resource was allocated;
- oo) Grant Thornton explained that they did not have any concerns at the time of the meeting about not meeting deadlines for the February 2025 meeting and the team were committed to getting the audit progressed and completed and would comply with reporting deadlines;
- pp) Work on timeline and deadlines would be done with Grant Thornton before Christmas to ensure the timely publication of reports for the Committee meeting in February.

The Committee agreed to:

1. Note the report;

2. Recommend the creation of an Audit Plan and that the Chair of the Audit and Governance Committee should meet with Council officers and Grant Thornton auditors on a regular basis to ensure documents were not brought before Committee late again.

57. **Audit Findings Reports 2021/22 and 2022/23**

David Johnson (Grant Thornton) introduced the report and highlighted the following points:

- a) Previous reports had given a detailed outline of the work that had been done to reach the conclusion for the factors set out in the previous item;
- b) This report provided short form audit findings.

The Committee agreed to note the report.

58. **Approval of Statement of Accounts 2021/22 and 2022/23**

Carolyn Haynes (Acting Head of Finance) introduced the report and highlighted the following points:

- a) The changes to the accounts reflected changes which had been put through in relation to previous audit findings for 2019/20 and 2021 accounts;
- b) Changes had also been made to reflect the change in accounting treatment of the pension transaction in 2019/20, to move it from being a Capital Transaction to a Revenue Transaction;
- c) There was a negative working fund balance, however this would be resolved when the Capitalisation Directive was received;
- d) Associated Minimum Revenue Provision and Associate Reserve Movements had been removed in relation to the pension transaction;
- e) Changes had been made for the accounting treatment of the interest rate swap which was previously treated as a hedge transaction;
- f) Amendments had been made to the notes on Heritage Assets to include items below £100,000 and the special books collections;
- g) Corrections had been made to Property Plant and Equipment, arising from making annual depreciations charges on material assets values as at the 31 March.

The Chair reiterated:

- h) The Committee's frustration at the lateness of the reports;

- i) That Committee members had not had appropriate time to consider the reports;
- j) He was putting the recommendations forward with reservations, but was reassured by officers.

The Committee agreed:

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. This was a Statutory Requirement, the Account and Audit Regulation 2015 required 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 would not be subject to an external audit but would instead be subject to the provision of the backstop legislation and were anticipated to be finalised before 13 December 2024;
4. To consider the contents of the Audit Opinions for the Council (Appendices C and D);
and
5. The Letters of Representation attached as Appendix E & F were authorised and submitted to the Auditor.

59. **Tracking Decisions**

The Committee agreed to note its tracking decisions document.

60. **Work Programme**

The Committee agreed to note its work programme.