

Part A

Report to: **Audit Committee**

Date of meeting: **Thursday, 24 November 2022**

Report author: **Head of Finance**

Title: **Statement of Accounts Update**

1.0 Summary

1.1 This report sets out the latest position for the external audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22.

2.0 Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
The Council's Statement of Accounts are not approved and audited within the statutory timeframe	Failure to comply with statutory timeline impacts on audit opinion	Proactive liaison with the external audit team	Tolerate	4
Changes to accounting policies are not properly reflected in the Statement of Accounts	Material mis-statement or qualification	Review accounting policies annually. Maintain awareness of future changes	Treat	4

Changes to accounting policies have an impact on the revenue budget or capital programme.	Impact on reserves, especially where not identified at budget setting.	Maintain awareness of future changes	Tolerate	6
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3.0 Recommendations

3.1 To note the latest timetable for completion of the external audit of the statement of accounts for 2019/20, 2020/21 and 2021/22.

Further information:

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Report approved by:

Alison Scott, Shared Director of Finance

4.0 Detailed proposal

4.1 Statement of Accounts 2019/20

4.1.1 The revised Draft Statement of Accounts 2019/20 is included at Appendix 1. Officers have now completed the review of infrastructure assets and agreed final changes to the accounts with the local audit team. The accounts are now subject to internal consultation processes within EY which will scrutinise the accounts and audit work undertaken in relation to:

- the Going Concern assessment
- the Prior period adjustments in relation to the Fixed Asset Register (summarised in Note 4 to the accounts)
- accounting for infrastructure assets

4.1.2 This process should be concluded in December which will enable the 2019/20 accounts to be signed before the end of 2022.

4.1.3 Delegations are already in place to the Chair of this committee and the Director of Finance to sign the Statement of Accounts and Letter of Representation as agreed at the Audit Committee in March 2022. There is no change to the draft Letter of Representation as a result of the further work undertaken on the audit.

4.2 Statement of Accounts 2020/21

- 4.2.1 The audit of the Statement of Accounts 2020/21 commenced on 4 July 2022. An update from EY on progress towards concluding the audit is elsewhere on the agenda.
- 4.2.2 A revised Draft Statement of Accounts 2020/21 will be provided to EY during the week beginning 28 November 2022, incorporating all agreed changes to the 2019/20 accounts and findings from the 2020/21 audit. To date there are no significant findings from the work undertaken on the 2020/21 audit. However, the adjustments to the accounts are significant reflecting the impact of the changed carry forward balances from 2019/20.
- 4.2.3 At the time of writing, there are a small number of outstanding queries in relation to the 2020/21 accounts, including information required from the external valuer. Officers are working with EY to conclude the audit as swiftly as possible. It may be possible to do this ahead of the next Audit Committee in March. This will be reviewed at the beginning of January and, if appropriate, an additional meeting of the Audit Committee will be arranged to sign the 2020/21 accounts.

4.3 Statement of Accounts 2021/22

- 4.3.1 The draft Statement of Accounts 2021/22 was authorised for issue by the Director of Finance and [published on the Council's website](#) on 31 July 2022 in line with the statutory timeframe. The period of public inspection ran from 1 August to 12 September 2022.
- 4.3.2 The brought forward balances and comparator figures for 2020/21 will be updated in the draft 2021/22 accounts following the conclusion of the 2020/21 audit. Officers are working with external audit to ensure that the 2021/22 audit takes place as quickly as possible after the conclusion of the 2020/21 audit.

4.4 Appointment of External Auditors for 2023/24 to 2027/28

- 4.4.1 As previously reported, the Council has opted into the national procurement for external audit services for the five year period beginning on 1 April 2023, led by Public Sector Audit Appointments Limited (PSAA). The outcome of the procurement was announced by PSAA on 3 October 2022 with 99.5% of the tendered work provided for.
- 4.4.2 Contracts have been offered to six suppliers with the scale of the contract depending on the capacity each supplier is able to provide. Three existing suppliers have been reappointed. These are Grant Thornton with 36% of the work, Mazars with 22.5%, and Ernest & Young with 20%. KMPG have re-entered the market with

14% of the work. The remaining work has been offered to two new entrants to the market Bishop Fleming, 3.75% and Azets Audit Services, 3.25%.

4.4.3 On 17 October the PSAA commenced the consultation on the proposed auditor appointments for all opted in bodies and wrote to all Section 151 Officers, Chief Executives and Audit Committee Chairs. The consultation closed on 14 November 2022.

4.4.4 The proposed auditor for Watford Borough Council from 2023/24 is Azets Audit Services. The PSAA describe Azets as:

“ A UK top 10 audit, accounting and business advisory firm. The firm provides external audit, internal audit and other assurance services across the public sector and has extensive experience of auditing large Scottish councils on behalf of the Accounts Commission. While the firm operates from around 80 local offices spread across the UK, it delivers public sector audit using specialist teams in selected locations in the North, Midlands and London”

4.4.5 The PSAA have committed to write to all bodies to confirm the Board’s final decision on the auditor appointments on or before 31 December 2022. Once the appointment is confirmed, Officers will begin work with our current external auditors to ensure a smooth transition for 2023/24.

4.4.6 The PSAA have noted that the bid prices received in the procurement reflect a significant increase in the current audit fee. In Autumn 2023 the PSAA will consult on the scale fee for 2023/24. However, authorities are advised to anticipate a ‘major reset’ involving an increase of around 150% on 2022/23 fees. The PSAA have raised the impact of this cost pressure on local authorities with the Department of Levelling Up, Housing and Communities (DLUHC) whilst also recognising the importance of a well funded audit system which is exposed to significant recruitment, retention and regulatory risks.

5.0 **Implications**

5.1 **Financial**

5.1.1 The Shared Director of Finance comments that there are no direct financial implications arising from this report.

5.2 **Legal Issues (Monitoring Officer)**

5.2.1 The Group Head of Democracy and Governance comments that there are no direct legal implications arising from this report.

5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

Having had regard to the council's obligations under s149, it is considered that there are no equalities or human rights implications.

5.4 **Staffing**

5.4.1 There are no staffing implications arising from this report.

5.5 **Accommodation**

5.5.1 There are no accommodation implications arising from this report.

5.6 **Community Safety/Crime and Disorder**

5.6.1 There are no community safety/crime and disorder implications arising from this report.

5.7 **Sustainability**

5.7.1 There are no sustainability implications arising from this report.

Background Papers

Statement of Accounts and Annual Governance Statement 2021/22 report to Audit Committee 28 July 2022

Statement of Accounts Update report to Audit Committee 15 September 2022

Appendices

Appendix 1 – Revised Draft Statement of Accounts 2019/20