

Part A

Report to: **Audit Committee**

Date of meeting: **Wednesday, 26 July 2023**

Report author: **Head of Finance**

Title: **Statement of Accounts Update**

1.0 Summary

1.1 This report sets out the latest position for external audit of the Statement of Accounts for 2020/21, 2021/22 and 2022/23. It also provides an update on the transition to new external auditors for 2023/24 onwards.

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
---	--	--------------------------------------	----------	---

3.0 Recommendations

- 3.1 To approve the Statement of Accounts 2020/21 at Appendix 1.
- 3.2 To approve the Letter of Representation 2020/21 at Appendix 2.
- 3.3 To agree that the Section 151 Officer (Shared Director of Finance), in consultation with the Chair of the Committee, can make any further changes to Statement of Accounts 2020/21 and Letter of Representation that may arise during the completion of the audit.
- 3.4 Agree that the Committee authorise and instruct the Chair to sign the Statement of Accounts for 2020/21 once finalised and signed by the Section 151 Officer to confirm that the Statement of Accounts presents a true and fair view of:
- (a) the financial position of the authority at the end of the financial year to which it relates; and
 - (b) that authority's income and expenditure for that financial year
- 3.5 To note the progress and latest timetable for completion of the external audit of the statement of accounts for 2021/22 and 2022/23.

Further information:

Hannah Doney
hannah.doney@threerivers.gov.uk

Report approved by:

Alison Scott, Shared Director of Finance

4.0 Detailed proposal

4.1 Statement of Accounts 2020/21

- 4.1.1 The 2020/21 audit was on hold during May and June as the Council's external auditors Ernst and Young (EY) focused on NHS audit work during those months. The Audit Manager and Assistant Audit Manager returned to the Watford 2020/21 audit on 4 July and progress has been made in closing down outstanding queries.
- 4.1.2 The latest version of the Statement of Accounts 2020/21 is at Appendix 1 to this report. The accounts have been updated to reflect all agreed changes arising from the 2020/21 audit and the opening balances have been updated to reflect the final values within the signed Statement of Accounts 2020/21.
- 4.1.3 The Committee is asked to approve the Statement of Accounts for 2020/21 and delegate to the Director of Finance, in consultation with the Chair of the Committee, the ability to make any further changes to the Statement of Accounts 2020/21 that may arise from the completion of the audit. This will enable the accounts to be signed off as soon as the audit work is concluded and in advance of the next meeting of this Committee in September.
- 4.1.4 Auditing standards require the External Auditors to obtain representations from management on certain matters material to their audit opinion. This is known as the Letter of Representation. The Audit Committee is required to consider and approve the letter of representation before it is signed by the Director of Finance and the Chair of the Committee.
- 4.1.5 A Draft Letter of Representation is at Appendix 2. The draft letter may change to reflect the outcome of the ongoing audit work. Therefore, the committee is asked to agree that the Director of Finance, in consultation with the Chair of the Committee, can make any further changes to the letter of representation that may arise as the audit is concluded.
- 4.1.6 The Letter of Representation must set out any unadjusted audit differences where management has chosen not to amend the statements for audit findings and the rationale for not doing so. At this stage, it is not anticipated that there will be any unadjusted audit differences.
- 4.1.7 The Draft Audit Results Report 2020/21 from the external auditors is elsewhere on the agenda.

4.2 Statement of Accounts 2021/22

- 4.2.1 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.

4.2.2 It is anticipated that the audit of the 2021/22 accounts will commence in September 2023. The audit duration is expected to return to the standard period of four to six weeks, reflecting the fact that the impact of the 2019/20 adjustments will already be fully accounted for in the ledger, reducing the need for manual adjustments and additional audit work.

4.3 **Statement of Accounts 2022/23**

4.3.1 The draft Statement of Accounts 2022/23 was authorised for issue by the Director of Finance and published on the [Council's website](#) on 31 May 2023 in line with the statutory timeframe. The period of public inspection ran from 1 June to 13 July 2023.

4.3.2 The audit of the 2022/23 accounts will follow on as soon as practicable from the conclusion of the 2021/22 audit. The audit is expected to take four to six weeks. It is still hoped that this can be concluded by the end of March 2024.

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

4.4.1 It was reported to the Committee in March that Azets Audit Services have been appointed by Public Sector Audit Appointments Ltd (PSAA) as the auditor for the Council for 2023/24 to 2027/28.

4.4.2 An introductory meeting took place between [Paul Grady](#), Partner at Azets, who will be the Council's Key Audit Partner, and the Director of Finance and Head of Finance on 11 July.

4.4.3 Paul Grady will attend the Audit Committee meeting in September to introduce himself and Azets to members of the Committee and set out the approach to the 2023/24 audit.

4.4.4 Azets will start walkthrough work in December 2023 ahead of year end and a draft audit plan will be presented to the Audit Committee in November 2023 or March 2024. It is hoped that it will be possible to conclude the audit of the 2023/24 accounts by the Statutory deadline of 30 September 2024. However, this timetable is dependent on the completion of prior year audits before July 2024.

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 Update report to Audit Committee 9 March 2023

Appendices

Appendix 1 – Statement of Accounts 2020/21

Appendix 2 – Letter of Representation 2020/21