



## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 26 March 2024**

<b>REPORT TITLE:</b>	<b>EXTERNAL ANNUAL AUDIT REPORT 2022/23</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE (S151 OFFICER)</b>

### **REPORT SUMMARY**

The Council's external auditors (Grant Thornton) have substantially completed the Council's main audit of the 2022-23 Statutory Accounts in December 2023, except for the Whole of Government Accounts which no longer meet the threshold for requiring external audit, and Value for Money as previously reported. The audit findings for the Statement of Accounts were reported to the Committee in the form of the Audit Findings Report in December 2023.

The auditors are also under a duty to provide an Annual Audit Report of the key issues/findings from their audit for consideration by a wider audience across the Council, Pension Fund, and its key stakeholders.

That report, the Annual Audit Report, is attached to this paper as Appendix 1. Once approved by this Committee, these reports will be taken to Policy and Resources Committee for approval and then onto Full Council from where they will be placed on the Council's website.

The Annual Audit Report contains a set of recommendations for the Council to implement, and Management's response to these recommendations is also included in the report.

As the report relates to the 2022/23 financial year, much time has passed, and progress has already been made in addressing these recommendations.

There are no direct ward implications, and the report is not a key decision.

### **RECOMMENDATION**

The Audit and Risk Management Committee is requested to consider and comment on the Annual Audit Report and approve it for onward approval to Policy and Resources Committee, Full Council and then publication on the Council website.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION**

- 1.1 The Audit and Risk Management Committee has responsibility for approving the Statement of Accounts and the Annual Governance Statement (AGS) on behalf of the Council, which is a requirement under The Accounts and Audit Regulations 2015 and The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
- 1.2 The Annual Audit Report is an essential element of the independent external audit process. This report is to be presented to a Committee of the Council for their consideration.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Option to not submit to Committee for comment and approval, however, this would not comply with the audit regulations and would be at the detriment of the Council.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Grant Thornton undertook their annual audit of the Council's financial reporting and activities. These reviews are intended to give assurance to both Members, residents, and external stakeholders that the Council's financial activities have been appropriately reported in its Accounts.
- 3.2 The detailed findings from this audit were reported to the Audit Risk and Management Committee on 12 December 2023 in the form of the Audit Findings Report. This confirmed that the Council's and Pension Fund Accounts for 2022-23 were unqualified and fairly stated the Council's finances and as a result the Committee approved their publication.

### **Annual Audit Report and Value For Money Reports**

- 3.3 Grant Thornton has now produced its Annual Audit Report which will be made available alongside the Accounts on the Council's website.
- 3.4 The Annual Audit Report reconfirms the audit findings previously reported to this Committee:
  - The Accounts presented a true and fair view and were unqualified.
  - Their concerns as to the threat to the Council's financial resilience, planning and sustainability in the short and medium term.
  - There is evidence of financial planning to address ongoing funding and budget concerns of the Council.
- 3.5 The auditors assess our arrangements under three headings within the Annual Audit Report:
  1. Financial Sustainability, how the Council plans and manages its resources to ensure it can continue to deliver its services

2. Governance, how the Council ensures that it makes informed decisions and properly manages its risks; and
3. Improving economy, efficiency, and effectiveness, how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

3.6 The report has made one Key Recommendation and 8 Improvement Recommendations, and rated financial sustainability as having significant weaknesses, and governance and improving economy, efficiency and effectiveness as having no significant weaknesses. As this report is looking at the financial year 2022-23, work has already commenced, and progress made on a number of the recommendations during 2023-24. The Council has agreed with the report's findings, but also recognises the progress the Council has made to date implementing improvements.

3.7 Grant Thornton have not yet issued the certificate of completion of the audit and therefore the audit is not yet concluded. This is because the report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources has not been issued. Work to issue this and then conclude the Audit is expected by 15 May 2024, which is within three months of issuing the opinion on the statement of accounts, which is permitted under the special provision in National Audit Office's Auditor Guidance Note 03.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 The cost of the report is part of the audit fee and variations to that fee for additional work are notified to the Council. The contracted audit fee was previously approved by the Audit and Risk Management Committee.

4.2 The audit fees for the year 2022/23 have increased from the contracted fees under the contract with Public Sector Audit Appointments Ltd (PSAA) of £139,157 to £219,854. The increase is due to the additional audit work now required to be undertaken by the external auditors since the contract was awarded which includes Value for Money Audits and additional testing for specific elements of the accounts as set out in the Audit Findings Report brought to the Committee in December 2023. The increase in the fee has been approved by the PSAA and discussed with the Director of Finance.

#### **5.0 LEGAL IMPLICATIONS**

5.1 There are no legal implications identified.

#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 None arising directly from this report.

#### **7.0 RELEVANT RISKS**

7.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended

accounting practices. Failure to do so could result in qualification of the accounts, which may lead to further audit costs.

- 7.2 If any concerns identified by Grant Thornton are not addressed by the Council, then there is a risk that the Council will not be able to meet its statutory requirements in respect to the Statement of Accounts as well as impacting upon the Value for Money and Financial Resilience of the Council and the Council's reputation.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 None arising directly from this report.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.
- 9.2 There are no equality implications arising specifically from this report. The file attached may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Shaun Allen if you would like these documents in an accessible format.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

- 11.1 The content and/or recommendations contained within this report have no direct implications for community wealth.

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## **APPENDICES**

Appendix 1 – Wirral Council External Auditors Annual Audit Report 2022-23

## **BACKGROUND PAPERS**

External Audit Findings Report 2022-23  
Statement of Accounts 2022-23  
External Audit Plan 2022-23

## **TERMS OF REFERENCE**

The report is considered by the Audit and Risk Management Committee in accordance with section (e) (i) of its Terms of Reference:

“Consider the external auditor’s reports and opinions, relevant requirements of the International Standards on Auditing and any other reports to members with respect to the Accounts, including the Merseyside Pension Fund and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.”

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee: External Audit Progress Report 2022/23 Statement of Accounts 2022/23 External Auditors Annual Audit report 2021/22 Wirral Council External Audit Plan 2022-23 Draft Statement of Accounts 2022/23 External Auditors Annual Audit report 2020/21 External Audit Progress Report	15 January 2024 12 December 2023 12 December 2023 27 June 2023 27 June 2023 20 July 2022 15 March 2022