



AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 28 January 2025

REPORT TITLE:	2023/24 EXTERNAL ANNUAL AUDIT REPORT
REPORT OF:	DIRECTOR OF FINANCE (S151 OFFICER)

REPORT SUMMARY

The Council's external auditors, Grant Thornton, have completed the Council's audit of the 2023-24 Statutory Accounts, except for the Whole of Government Accounts which no longer meet the threshold for requiring external audit. The audit findings for the Statement of Accounts are provided elsewhere on the agenda.

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

The Annual Audit Report is attached to this report as Appendix 2. Assuming that it is approved by this Committee, the Annual Audit Report will be subject of a report to Policy and Resources Committee for approval and then onto Full Council whereupon the report will be published on the Council's website.

The Annual Audit Report contains one statutory recommendation and a number of key / improvement recommendations for the Council to implement, and Management's response to these recommendations is also included in the report. The report relates to the 2023/24 financial year, and as much time has passed, progress has already been made in addressing several of 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 2023/24 Annual Audit Report and recommend its approval by Policy and Resources Committee and Full Council and then publication on the Council website.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 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.
- 1.2 The External Auditor is using their powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act 2014 to make a Statutory Recommendation, that the Council addresses the matter identified in their report. The recommendation was taken to Council and referred to Policy and Resource Committee.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 There is an option to not submit the report to Committee for comment and approval. However, this would not comply with the audit regulations and would be to 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 22 October 2024 in the form of the Audit Findings Report, which is also presented for formal approval elsewhere on the agenda. This confirms that the Council's and Pension Fund Accounts for 2023-24 were unqualified and fairly stated the Council's finances and as a result the Committee approved their publication.
- 3.3 On 6 January 2025 Grant Thornton issued a single statutory recommendation under section 24 schedule 7 of the Local Audit and Accountability Act 2014. They are reserved for more significant audit matters, as they are required to be sent to the Secretary of State for Levelling Up, Housing and Communities and must be considered at a public meeting of the Council within one month of the recommendations being sent to the Council.

Annual Audit Report

- 3.4 Grant Thornton have now also produced their Annual Audit Report which will be made available alongside the Accounts on the Council's website. The Annual Audit Report confirms the audit findings:
 - Grant Thornton have concerns as to the threat to the Council's financial resilience, planning and sustainability in the short and medium term.
 - There is evidence of key steps being taken to contain budget overspends.

- The Council's Dedicated Schools Grant deficit presents a financial risk to the Council.
- The Council had governance arrangements in place to support its control environment during the reporting period.
- The Council is open to learning from others to shape delivery and drive performance.
- The Council has not demonstrated sufficient progress during 2023/24 in improving special educational needs and disabilities services to residents.

3.5 The auditors assess the Council's 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 Statutory Recommendations (summarised in appendix 1 to this report), two Key Recommendations and 12 Improvement Recommendations (summarised in appendix 3 to this report), and rated financial sustainability and improving economy, efficiency and effectiveness as having significant weaknesses, while governance has been rated as having no significant weaknesses.

3.7 As this report is looking at the financial year 2023-24, work has already commenced, and progress made on a number of the recommendations during 2024-25. Management responses to the recommendations are included within the Annual Audit Report.

3.8 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 is ongoing, and the National Audit Office are able to review a sample of audits, and therefore the audit certificate cannot be issued until this process is complete.

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 2023/24 have increased from the contracted fees under the contract with Public Sector Audit Appointments Ltd (PSAA) of £219,854 to £453,104. 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.

- 4.3 Additional auditor's fees will be incurred for the statutory recommendations and are recoverable by the external auditor from the Council under Schedule 7 section 2 (4) any reasonable costs.
- 4.4 The report provides an external viewpoint on the financial sustainability of the Council. As is now the case for many local authorities, there are significant financial challenges for the Council in balancing the current year and future year budgets and managing spending within budgets.

5.0 LEGAL IMPLICATIONS

- 5.1 The Statutory Recommendations are issued under the provisions of the Local Audit and Accountability Act 2014 ("the Act"). The Council must comply with the requirements of the Act in responding to the report. In particular Schedule 7 paragraph 4 on the Act provides that as soon as reasonably practicable after receiving the report the Council must:
- a) publish the report and a notice identifying the subject matter of the report on the Council's website;
 - b) permit the public to inspect the report at all reasonable times without payment, make a copy of it, or any part of it, and be supplied with a copy of it, or any part of it, on payment of a reasonable sum;
 - c) supply a copy of the report to each of its members and its auditor panel (if it has one).
- 5.2 Paragraph 5 of Schedule 7 further requires the Council to consider the report or recommendation(s) at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council. At that meeting the Council must decide:
- a) whether the report requires the Council to take any action; or
 - b) whether the recommendation is to be accepted; and
 - c) what if any action to take in response to the report or recommendation.
- 5.3 Paragraph 9 of Schedule 7 of the Act goes on to provide that information contained in the report is not to be treated as exempt information under the Local Government Act 1972. After considering the Report and its response to it, the Council must notify the external auditor of its decisions and publish a notice containing a summary of those decisions which has been approved by the external auditor.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no resource implications 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 There are no engagement/consultation implications arising directly from this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 The 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 files 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.

REPORT AUTHOR: **Shaun Allen**
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APPENDICES

The PDF files may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact shaunallen@wirral.gov.uk if you would like this document in an accessible format.

Appendix 1 – 2023/24 Statutory Recommendations
Appendix 2 – Auditor's Annual Report on Wirral Council 2023/24
Appendix 3 – 2023/24 Key and Improvement Recommendations

BACKGROUND PAPERS

External Audit Findings Report 2023-24
Statement of Accounts 2023-24
External Audit Plan 2023-24

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)

Council Meeting	Date
Audit & Risk Management Committee:	
Statement of Accounts 2023/24	22 October 2024
Draft Statement of Accounts 2023/24	31 July 2024
Wirral Council External Audit Plan 2023/24	31 July 2024
External Annual Audit Report 2022/23	26 March 2024
External Audit Progress Report	15 January 2024
2022/23 Statement of Accounts 2022/23	12 December 2023
External Auditors Annual Audit report 2021/22	12 December 2023
Wirral Council External Audit Plan 2022-23	27 June 2023
Draft Statement of Accounts 2022/23	27 June 2023
External Auditors Annual Audit report 2020/21	20 July 2022
External Audit Progress Report	15 March 2022