Decision Report
Committee: Audit Committee
Meeting or Proposed Decision Date – 27 November 2024
Key Decision – Yes

South Somerset District Council Statement of Accounts 2022/23 and External Audit Report
Chair of Committee: Mike Hewitson, Chair of Audit Committee
Executive Member(s): Liz Leyshon, Deputy Leader of the Council and Lead Member for Finance, Procurement and Performance
Local Member(s) and Division(s) affected: All
Executive Director: Maria G Christofi, Interim Chief Finance Officer (Section 151 Officer)

Executive Summary

This report presents the final set of 2022/23 financial statements (accounts) for South Somerset District Council and the completion of the subsequent external audit.

The financial statements (Appendix 2) and letter of management representation (Appendix 4) require Audit Committee approval, to be finalised. Alongside these, the audit findings report (Appendix 1) and the auditors draft opinion (Appendix 3) are presented for noting and provide assurance for the committee in their approval role.

Recommendations

The Audit Committee are asked to:

1.1 Note the status of the final audit by reviewing the latest Audit Findings report from the external Auditors Grant Thornton UK LLP, (Appendix 1).
1.2 Approves the Statement of Accounts for South Somerset District Council 2022/23 (Appendix 2).
1.3 Note the additional wording within the Letter of Management Representation (Appendix 4) and give approval for the signing of the letter to the Chair or Vice Chair of the Committee and the S151 Officer.

Reasons for Proposals

The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Authority's Statement of Accounts.

In tackling the Local Authority audit back log, Government has set a deadline for all 2022/23 financial accounts to have reached conclusion by 13 December, otherwise a stop is enforced with an adverse/disclaimed or unqualified opinion.

The Statement of Accounts (Appendix 2 – updated accounts with known audit finding adjustments) has been prepared in accordance with the current Code of Practice on Local Authority Accounting in Great Britain (The Code). The Statement is required to present a true and fair view of the former South Somerset District Council's financial position as at 31 March 2023 and also the income and expenditure for the financial year 2022/23.

Report Author: Ben Bryant, Finance & Procurement, Corporate Finance
Contact Details: 01823 359576, ben.bryant@somerset.gov.uk

Main report and supporting information

Background and purpose of report

Summary

1. The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (amendment) Regulations 2022 states that, as part of the formal process of closing the 2022/23 accounts, for the legacy South Somerset District Council, the Chief Finance Officer is required to approve the draft Statement of Accounts by 31 May 2023 and the Audit Committee is required to approve the audited accounts by 30 September 2023.

2. In discussions with Grant Thornton UK LLP around resource availability and quality of draft accounts produced, not all legacy Somerset Districts and County accounts could be completed and audited within the above timeline. Compounded to that, the 2021/22 accounts for South Somerset District Council were being finalised during 2023. Therefore, draft 2022/23 accounts were published at the end of August 2023 and have been audited between November 2023 to October 2024.

3. The Audit Committee of 28 March 2024 were presented with a set of accounts with the audit yet to be completed. The Committee gave delegated authority approval should there be no further material findings. This has not been the case.

4. Subsequently further material findings in relation to the accounting treatment of Land and Buildings, and other areas of the accounts, required significant reworking or further extensive auditing. The audit has experienced significant delays due to staff capacity, loss of knowledge and quality of documentation held. The commitment, by the Council and its auditors Grant Thornton, to the completion of the 2022/23 has been significant. The external staff from that time were unable to progress to completion, to a targeted Committee meeting in May. Between August and November the Council has redeployed officers of the internal finance team to redraft the accounts and fulfil the subsequent audit. The redrafted and final accounts are presented to this meeting of Audit Committee 27 November 2024.

Auditors findings and opinion

5. The latest Auditors Annual Findings Report (Appendix 2 page 3) outlines the audit work is now complete. Changes to the report since the version presented to Audit Committee on 28 March 2024 are marked in blue text.

6. Page 3 of the Audit Findings report ‘anticipates issuing an unqualified audit opinion’ on the accounts. This is subject to the final auditor file reviews. Appendix 3 sets out the proposed Independent Auditor's Report to the members of Somerset Council in respect of South Somerset District Council, confirming the proposed unqualified opinion. The final opinion will be issued in the week commencing 2 December 2024. With the certificate issued mid-December when the NAO has signed the 2022/23 whole of government accounts.

7. The Audit Findings Report, in **Appendix 1**, from pages 32 to 34 (Appendix B of the report) detail assessment levels against key risks with management action response. Pages 36 to 46 (Appendix D of the report) sets out the series of audit findings. At the time of this report the Adjustment column with reference to ‘TBC’ is awaiting the auditors to cross check to the accounts published on this agenda. We anticipate much or all of this to be concluded in time for the committee.

8. The most significant findings to be adjusted for were the corrections to Business Rates and Collection Fund transactions. As well as classification, valuation and reconciliation of fixed assets. Reclassification of Huish Park and all other fixed asset changes have been accepted and applied. There is the revised treatment for the disposal of inventories during 2021/22 and 2022/23 which will result in an additional £4.2m of capital receipts being available to the Council. Finally, presentation and reconciliation has been a challenge, with a large number of changes being made and the need to rework the accounts.

9. The expected conclusion of this audit and final set of accounts for 2022/23 is a significant milestone. Firstly, allowing Somerset Council to have a clear and audited opening balance position within its first set of accounts (for financial year 2023/24) and against the national context leading to Central Government issuing notifications setting a statutory backstop date to clear the backlog of unaudited accounts up-to-and-including financial year 2022/23. All 2022/23 accounts conclusions need to be in place by 13 December, otherwise a hard stop is enforced via issue of an adverse/disclaimed or unqualified opinion.

10. Therefore, this cover report proposes the committee approve the accounts presented (Appendix 2) and the letter of Management Representation (**Appendix 4**)

<u>Audit certificate finalisation</u>

11. Grant Thornton are only able to formally conclude the audit and issue their final Audit Report and Audit Certificate if they have received a copy of the Statement of Accounts as approved by this Committee and all final elements of their work are concluded. There is an additional note within page 4 of **Appendix 1**; ‘the final certificate will be delayed awaiting the National Audit Office to have completed 2022/23 Whole of Government Accounts’.

12. Management wish to highlight to the Audit Committee and to present thanks to the external auditors, Grant Thornton, for the ongoing commitment and their collaborative approach to achieving a finalised set of accounts.

Management Letter of Representation

13. The International Standard on Auditing 580 requires auditors to obtain written representations from management and, where appropriate those charged with governance in an audit of the financial statements. This statement as a formal Management Representation letter to Grant Thornton, will be written when the audit is complete.

14. The Committee are requested to note the additional wording at point xiv, regarding further prior period adjustments have been made, and to give further delegated approval for this representation. On completion of the approved accounts the letter will be passed to our auditors. The draft version is included in **Appendix 4**.

Audit Fees

15.

Links to Council Plan and Medium-Term Financial Plan

16. The proposed approval decisions and conclusion of the 2022/23 financial accounts give assurance over the Councils opening balance sheet. Supporting the financial position and robust reporting for 2023/24. Any changes highlighted from the audit work will be fed through to the ongoing MTFP process.

Other options considered

17. The audit work is complete and conclusion of the audit relies on approval of the final financial statements. Therefore no alternative options were considered.

Key considerations for the Council

Scrutiny comments / recommendations:

18. The proposed decision has not been considered by a Scrutiny Committee, the oversight and approval of the financial statements is delegated to the Audit Committee.

Consultation and feedback

19. There are no direct implications from this report.

Financial and Risk Implications

20. The Public Sector Audit Appointments (PSAA) published scale fee for the audit work in respect of the Code of Practice for 2022/23 is £53,568 with further set fees of £63,350; the total agreed fee being £116,918. The audit fee will be met from the revenue budget set aside for this purpose.

21. Grant Thornton will propose fees for 2022/23 reflecting their assessment of the underlying level of additional work and required assurance, in line with the Code of Audit Practice 2020. All fee variations are required to be agreed by PSAA and the Authority. The current proposed additional fees include a sum of £45,300 plus additional fee lines subject to confirmation. (Appendix 1 page 48).

22. Allowance has been made in the current years budget for a potential fee variation, however any variation to fees above the allowance made will need to be contained within this 2024/25 budget.

Current Risk Score:

Likelihood		**Impact**		**Risk Score**	

Projected risk score if recommended actions are agreed and delivered:

Likelihood		**Impact**		**Risk Score**	

Legal and Procurement Implications

23. There are no direct implications from this report.

HR / Workforce Implications

24. There are no direct implications from this report.

Equalities Implications

25. There are no direct implications from this report.

Community Safety Implications

26. There are no direct implications from this report

Climate Change and Sustainability Implications

27. There are no direct implications from this report.

Health and Safety Implications

28. There are no direct implications from this report.

Health and Wellbeing Implications

29. There are no direct implications from this report.

Social Value

30. There are no direct implications from this report.

Background Papers

31. The last full reporting on this topic came to Audit Committee, see agenda reports 28 March 2024.

Appendices

- **Appendix 1** – Grant Thornton UK LLP current 2022/23 Audit Findings Report, DRAFT (pending final audit reviews).
- **Appendix 2** – Legacy South Somerset District Council's Statement of Accounts 2022- 23 (redrafted for latest audit findings).
- **Appendix 3** – Grant Thornton UK LLP DRAFT Opinion Letter.
- **Appendix 4** – South Somerset District Council's DRAFT Letter of Management Representation.

Report assurance checklist ahead of report publication
(for Audit, Executive, Full Council and Scrutiny Committees)

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	N/A
Finance & Procurement	Nicola Hix	19/11/2024
Workforce (*)	Dawn Bettridge	N/A
Asset Management (*)	Oliver Woodhams	N/A
Executive Director	Maria G. Christofi	19/11/2024
Executive Lead Member	Relevant Lead Member	Liz Leyshon sent: 19/11/2024
Consulted:	Councillor Name	
Local Division Members	List local members	N/A
Opposition Spokesperson(s)	Relevant Opposition Spokesperson	N/A
Relevant Scrutiny Chair(s)	Relevant Chair	N/A

Note:

Directors may nominate additional officers to act on their behalf
(*) – these areas only need to be consulted on proposals if the proposals have workforce or asset management implications

Reports will not be published if assurance checklist has not been adequately completed – report author to liaise with Democratic Services well ahead of publication deadlines