



Audit and Standards Committee

29 September 2022

Report from the Director of Finance

Statement of Accounts 2021/22

Wards Affected:	ALL
Key or Non-Key Decision:	KEY
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	
Background Papers:	
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ben Ainsworth, Head of Finance

Summary

- 1.1 The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The basis for this consideration is the “report to those charged with governance” also referred to as the ISA260 report. The Council’s external auditors, Grant Thornton, produce the report following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provides the findings from the value for money conclusion for the year.
- 1.2 The infrastructure issue, which was noted by the committee in June 2022 still has not been resolved. Currently, the Department for Levelling Up, Housing and Communities is considering legislative prescription to resolve the issue.
- 1.3 At the time of writing this report Grant Thornton are in the process of completing the audit of the 2021/22 accounts and their ISA260 report, reflecting the current position, will follow and be reported on the same agenda as this report. Based on the current position Grant Thornton intends to complete the audit of Council and Pension Fund accounts shortly, with the exception of the Infrastructure

assets, which will be paused until there is a definite conclusion on this, which is likely to require legislative change.

- 1.4 Representatives from Grant Thornton will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

2.0 Recommendations

- 2.1 The Committee note that the audit will be paused whilst the infrastructure issue is addressed by CIPFA and the Department for Levelling Up, Housing and Communities.
- 2.2 The Committee is asked to review the report to those charged with Governance from Grant Thornton and:
 - consider the key issues and recommendations
 - consider the corrected audit differences
 - delegate approval of the draft letter of representation to Grant Thornton to the Director of Finance
 - delegate the approval of the Statement of Accounts to the chair of the Audit and Standards Committee subject to the agreed adjustments being made and an unqualified audit opinion

3.0 Detail

Statement of Accounts

- 3.1 The draft statement of accounts for 2021/22 was published on the council's website on the 4th July, three weeks before the deadline required by statutory regulation (31st July).
- 3.2 The issue on infrastructure is that many local authorities, including Brent, do not have sufficient information on their highways infrastructure to comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting. In particular the code requires that asset values are derecognised when an asset is replaced, for example when old traffic lights are replaced by new traffic lights, but local authorities generally do not have sufficient historical information to determine the current age or value of highways assets that are being replaced. This makes it impossible to satisfy the auditors that the value of highways infrastructure are materially correct under the code.
- 3.3 The audit of the accounts commenced in July, and under legislation should be completed by the 30th November. At the time of writing, audit fieldwork is substantially complete. However, as the Infrastructure issue is expected to require legislative change to resolve, the auditors will not be able to issue an unqualified opinion on the accounts until this change is implemented. The auditors will also have to review the accounts in light of any legislative change. It is therefore expected that the audit will be paused to await this legislative change.

- 3.4 The ISA260 report presented to the Audit and Standards Advisory Committee sets out the anticipated results of the audit with the following key points being:
- Unqualified audit opinion, subject to further work on Highways Infrastructure
- 3.5 As a result of the audit a number of adjustments to the accounts have been agreed by council officers and Grant Thornton and will be detailed by the combination of the auditor's written and verbal reports to the Audit and Standards Advisory Committee.
- 3.6 There are a number of recommendations from Grant Thornton for how the Council's processes can be improved in future years. Officers will be putting these recommendations into effect with a revised plan for closing the 2022/23 accounts.
- 3.7 The Value for Money audit work has only been started by the auditors recently, and will be reported to the Audit and Standards Committee at a later date.

Publication of Statement of Accounts

- 3.6 The Council is required to publish the 2022/23 accounts by 30th November. Achieving this is dependent on legislative change to address the infrastructure issue and is at risk of being delayed due to requirement for legislative change and the need for further review of the accounts by the auditors following this change. If the accounts are published on after this date, then the sanction is that it will be reported that the council missed this deadline. It is expected that many authorities will take a similar approach to Brent and delay final publication of the accounts until this issue is resolved in order to publish an unqualified set of accounts.
- 3.7 Once the audit has been completed a Letter of Representation needs to be signed prior to Grant Thornton issuing an audit opinion. The letter will be drafted once the infrastructure issue is addressed.

4.0 Financial Implications

- 4.1 There have been some adjustments to the Statement of Accounts during the course of the audit. None of these have significantly impacted on the medium term financial position of the Council.

5.0 Legal Implications

- 5.1 No specific implications.

6.0 Equality Implications

- 6.1 No specific implications.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable

Report sign off:

Minesh Patel
Director of Finance