

**To: Audit and Governance Committee**

**Date: 20th January 2025 Item No:**

**Report of: Head of Financial Services**

**Title of Report: Statement of Accounts for the Year Ending 31st March 2024.**

# Summary and Recommendations

**Purpose of report**: To submit the Council’s Statement of Accounts and Letter of Representations for approval and authorisation.

**Key Decision No**

**Cabinet lead member Councillor Ed Turner**

**Policy Framework: A well run council**

**Recommendation(s): That the Committee:**

**a) Note the report and the potential audit trajectory**

**b) Approve the 2023/24 Statement of Accounts as agreed by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts incorporating any further changes arising from the ongoing audit**

**c) Agree to the signing of a Letter of Representations for 2023/24 incorporating any statements required by the external auditor arising from the ongoing audit to enable it to be signed and dated on date of signing and to enable the opinion to be issued (paragraph 10)**

**Appendices**

**Appendix 1 – Statement of Accounts 2023/24**

**Appendix 2 – Letter of Representation 2022/23 example**

**Background**

1. The Local Authority sector nationally has had a widespread backlog in finalising audits which have, in most cases, built up over time. Often this is because of an issue in a particular year which has then had a knock-on effect to future audits. For some audits the backlog has built up due to a lack of capacity in a combination of the local authorities themselves and also the auditors operating in the market. The deadlines for completion of draft statements of accounts and for the audit have been shortened over the years leading to limited or no contingency in the timescale. At the same time, the requirements placed on auditors have increased and are continuing to increase with more stringent requirements for the 2024/25 audit in the latest International Standards on Auditing (ISA). ISAs are professional standards for the auditing of financial information issued by the International Auditing and Assurance Standards Board (IAASB).
2. For Oxford City Council the backlog started with the delay in the finalisation of the audit of the 2020/21 statements of accounts for various reasons with the key one being the evidence around grants; this was the Covid period and grants were issued by Government with little or no documentation to support the grant at audit. The administration of the grants also led to capacity issues within finance. There were then further delays in 2021/22 caused by some data issues arising from a computer system implementation. The delays in this audit had a knock-on effect on the 2022/23 closedown and then the audit was halted due to the national drive to implement an audit reset.
3. Audit and Governance Committee on 29th October 2024 agreed to authorise the signing of the 2021/22 and 2022/23 Statements of Accounts albeit with disclaimed opinions from the auditors due to lack of time available to undertake the audits in time to meet the Government backstop dates for the issuing of audit opinions, by December 2024. The statements were signed on 25th and 26th November 2024 and were published prior to the backstop date of 13th December 2024.

**Audit Trajectory**

1. The Financial Reporting Council (FRC) “Local Audit Backlog Rebuilding Assurance” Guide, brought to Audit and Governance Committee on 29th October 2024, contains a narrative about the measures being put in place to remove the backlog and put local authority audits back on track to unqualified accounts. The quickest trajectory is as per the following table taken from the FRC Document.



1. The actual progress along this path depends on the amount of work that the auditors can complete, their internal assurance methodologies, the capacity of a local authority to manage the workload required for the audit, and the availability of audit evidence.
2. As can be seen from this table, the expectation is that at least the 2023/24 and the 2024/25 accounts should be expected to be qualified. The Council’s External auditors are expecting to be able to identify the progress towards an unmodified (also known as unqualified) opinion using a traffic light system of red amber and green with an unmodified opinion being where everything is green.
3. The process of rebuilding assurance will stretch over multiple years with assurance being built over different areas on a gradual basis. Clearly this takes planning and the focussing of resources from both the external auditors and the council which spans a number of years. The FRC document says “Auditors and audited bodies should work together to agree jointly-owned delivery plans for each year’s audit to enable this.” The Council has asked the auditor for their draft plan to achieve this but has not received anything as yet.

**Changes to the Statements and Uncorrected Misstatements**

1. Often during an audit there will be a number of transactions which have not been made correctly. Where appropriate and where the changes are agreed by Council finance staff these changes will be made normally be made. “Uncorrected Misstatements” is a term used by the external auditor to describe items which they believe have not been represented properly in the accounts and the council concerned has decided not to make a change. There are a number of reasons why a change may not be made including: the council does not agree with the auditor’s opinion; the change would be costly to implement (i.e. would involve external advice) or the change cannot be made within the timescale needed. Additionally in the current position where accounts are expected to be disclaimed or qualified, changes may not be made because pragmatically it is not appropriate i.e. because additional work won’t change an opinion or in order to focus on clearing other areas of the accounts.

**The Statement of Accounts**

1. The Statement of Accounts for 2023/24 is attached at Appendix 1 to this report. The Statement of Accounts consists of the following:

* The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and the Section 151 Officer (The Head of Financial Services). The Head of Financial Services has to sign a statement that the Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended (page 6 and page 26).
* The Core Financial Statements and Expenditure and Funding Analysis (pages 21 to 27) and supplementary statements (pages 91 to 100) and group accounts (pages 101 to 128) incorporating:

1. A Movement in Reserves Statement (MIRS) - a statement used to adjust International Financial Reporting Standard accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden to the tax payer.
2. The Comprehensive Income and Expenditure Statement - a statement which incorporates all revenue income and expenditure relating to the year.
3. Expenditure and Funding Analysis - a statement that supports and provides more information on the Comprehensive Income and Expenditure Statement.
4. A Balance Sheet – a statement which records all the assets and liabilities at the Balance Sheet date of 31 March.
5. A Cashflow Statement - a statement that shows the inflows and outflows of cash during the year reconciled to the year end cash position.
6. The Housing Revenue Account - a statement which brings together all transactions during the year in relation to the management and maintenance of the Council’s 7,884 dwelling stock.
7. Collection Fund - a statement which brings together all transactions during the year relating to the collection of Business Rates and Council Tax income together with payments and receipts from Government and payments made to the preceptors; the County Council, Police and Crime Commissioner (Thames Valley) and Parish Councils.
8. Group Accounts - statements which reflect the Council’s 50% interest with Grosvenor Developments Limited in a joint venture for the construction of dwellings at Barton (Barton LLP), a 50% interest with Nuffield College in a joint venture for the regeneration of the West End area of Oxford, (Oxwed LLP) and the Council’s wholly owned companies, the Housing Company Group, Oxford City Housing Ltd (OCHL), Oxford Direct Services Limited (ODSL) and Oxford Direct Services Trading Limited (ODSTL). The Council’s share of the assets and liabilities of these entities are required to be incorporated into the Council’s accounts.
9. The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure (pages 131 to 149).

**Letter of Representation**

1. Every year the external auditor requires a letter of representations to be signed alongside the statement of accounts. This is a standard process and the letter just provides confirmation to the auditor of various matters to assure the auditor that they have been presented with full information and that there aren’t any matters not brought to their attention that could adversely affect the audit opinion.
2. Attached at Appendix 2 is the Letter of Representation from 2022/23 as an example of the contents of a Letter of Representation to put the contents into perspective. The Committee is asked to approve in principle the signing of a similar letter for 2023/24. This letter is from the Council’s Section 151 Officer and the Chair of Audit and Governance Committee setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion but should be signed and dated on the day that the external auditors issue their opinion.

**Financial Implications**

1. These are covered within the main body of the report.

**Legal Implications**

1. In accordance with the Accounts and Audit Regulations 2024, the accounts for 2023/24 must be audited, approved and published by 28th February 2025.

**Risk Implications**

1. If the accounts for 2023/24 and associated letter of representation are not approved and delegations provided for signing, the Council will not be able to comply with backstop date for those years and would risk being named as a non-compliant council.
2. There could potentially be an impact on the Council’s companies if they have to rely on the parent for any assurance on contracts. The reasons for disclaimers being issued in the local government sector have been well documented and publicised so it would be expected that an explanation of the position and the demonstration that this is a sector-wide issue which is not due to the specific failings of individual authorities would mitigate the risk to an extent.

**Communication**

1. The Council’s accounts for 2023/24 have been available for public inspection and details of how a local government elector for the area of the Council or their representative may make an appointment to ask the auditor questions about the accounts have been published. In addition the elector or representative may object to the Council’s accounts, asking that the auditor issue a report in the public interest or which is contrary to law (under section 28 of the Local Audit and Accountability Act 2014). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address provided on the Council’s website.
2. There were no objections lodged.
3. The Statement of Accounts for 2023/24 will be published on the Council’s website after approval along with a notice confirming the conclusion of the audit and alongside the Annual Governance Statement for the year.

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**Background papers: None**

**Version number:**