
Audit and Procurement Committee

17th February 2025

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director Approving Submission of the report:

Director of Finance and Resources (Section 151 Officer)

Ward(s) affected:

All

Title:

Disclaimed 2023-24 Statement of Accounts

Is this a key decision?

No

Executive Summary:

The purpose of this report is to gain Audit and Procurement Committee's approval for the disclaimed 2023/24 Statement of Accounts.

In 2024, the Government passed legislation designed to address the backlog in the completion of local authority accounts. This legislation specified 'backstop' deadlines for the completion of audit work relating to particular financial years. The deadline for the Statement of Accounts 2023/24 was set as 28th February 2025. In the event of uncompleted audits, auditors would be required to issue either qualified opinions or disclaimers, as appropriate.

As a result of significant delays in the completion of the audit of the 2019/20 accounts, and subsequent disclaimed audits of the 2020/21, 2021/22 and 2022/23 accounts which were published on 10th December 2024 in line with specified backstop dates for these years, the draft Statement of Accounts for 2023/24 was published on 29th November 2024.

Grant Thornton have provided an Audit Findings Report for the work carried out on the audit of 2023/24 accounts since 1st December 2024. They have also drafted disclaimed opinions for 2023/24 and proposed 'management letters of representation' for the Council to review.

The Audit & Procurement Committee is approving these accounts for publication on the Council's behalf. This follows an extension to the period of audit by Grant Thornton beyond the Council's initial deadline to complete and authorise the Statement of Accounts by the end of July.

Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Note the details presented in the 2023/24 Audit Findings Report.
- 2) Accept the disclaimed opinions provided by the external auditor in relation to the 2023/24 accounts.
- 3) Grant authorisation for the requested letter of representation for 2023/24, to be signed and returned to the external auditors.

List of Appendices included:

Appendix 1 Statement of Accounts 2023-24
Appendix 2 Audit Findings Report 2023-24
Appendix 3 Auditor's Report 2023-24

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

The Audit and Procurement Committee will review the documentation submitted to them by the Council's external auditor.

Has it been or will it be considered by any other Council Committee, Advisory Panel, or other body?

No

Will this report go to Council?

No

Disclaimed 2023-24 Statement of Accounts

1. Context (or background)

- 1.1 In September 2024, the Government passed legislation designed to address the backlog in the completion of local authority accounts. This legislation specified deadlines for the completion of audit work for particular financial years. In the event of uncompleted audits by the specific deadlines, auditors would be required to issue either qualified opinions or disclaimers, as appropriate.
- 1.2 The relevant deadline for the accounts of 2023/24 is 28th February 2025. Grant Thornton have not been able to complete the audit of the Council's 2023/24 accounts.
- 1.3 The documents from Grant Thornton which are attached as Appendices to this report detail the situation in relation to the 2023/24 and deal with the necessary matters required in advance of the deadline.
- 1.4 Although some audit work has been carried out on the 2023/24 accounts this has not been sufficient for the auditor to issue an unqualified opinion. As a result, Grant Thornton is intending to issue a disclaimed opinion.
- 1.5 Appendix 1 to the report details the work that has been carried out on 2023/24 accounts.

2. Options considered and recommended proposal.

- 2.1 A decision not to agree to these recommendations would result in the Council not meeting the statutory deadline of 28th February 2025 for approving and publishing the 2023/24 accounts.

3. Results of consultation undertaken

None

4. Timetable for implementing this decision

- 4.1 If the Committee approve the proposed recommendations, the auditors disclaimed opinions will be appended to the 2023/24 accounts. These accounts will then be published on the Council's website as soon as is practicable, and in advance of 28th February 2025.

5. Comments from the Director of Finance and Resources (Section 151 Officer) and the Director of Law and Governance

5.1 Financial Implications

There are no regulatory penalties for missing the accounting deadlines. However, failure to comply with the accounting deadlines would likely result in additional

work for officers and the Council's auditors, which would be reflected in additional audit costs.

Coventry City Council is classified as a Public Interest Entity (PIE) due to an historic issue of bonds which are freely tradable on the Stock Exchange. This classification requires the Local Authority to meet a number of ethical standards specific to PIE organisations.

One of these ethical standards relates to a 70% cap on non-audit fees for PIEs for the average of the fees paid in the last three consecutive years of audit fees. The cap is used to control non-audit spending (for Coventry City Council, this relates to Teachers Pension Audit & Housing Benefit Audit work) to ensure it doesn't exceed a certain percentage of our audit fees.

Due to the audit backstop legislation, and the subsequent reduced audit fees for 2020/21, 2021/22 and 2022/23, presented to Audit & Procurement Committee on 25th November 2024, the non-audit fees for 2023/24 & 2024/25 are now in breach of this ethical standard.

In these exceptional circumstances, owing to the backstop, Grant Thornton have applied for an exemption to the Financial Reporting Council (FRC). The exemption on the fee cap was considered by the FRC and a waiver was awarded on the grounds of the specific costs involved and the circumstances around the backstop.

There is an obligation on the Council through the work of the Audit and Procurement Committee to satisfy itself as to the continued independence of Grant Thornton UK LLP to act as auditor, given the nature of fees earned by Grant Thornton UK LLP in relation to the fees cap, as applicable in these exceptional circumstances.

5.2 Legal implications

Section 3 of the Local Audit and Accountability Act 2014 requires local authorities to prepare a statement of accounts.

Local authorities must produce their accounts in accordance with the Code of Practice on Local Authority Accounting. In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These regulations set a publication date for 2023/24 financial statements by 28th February 2025. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

6. Other implications

**6.1 How will this contribute to achievement of the One Coventry Plan
(<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)**

N/a

6.2 How is risk being managed?

N/a

6.3 What is the impact on the organisation?

It remains important for the Council to ensure timely and accurate reporting of the Councils financial position.

6.4 Equalities / EIA

No impact

6.5 Implications for (or impact on) climate change and the environment

No impact

6.6 Implications for partner organisations?

No impact

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Barry Hastie	Director of Finance and Resources (Section 151 Officer)	-	06/02/25	07/02/25
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Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	06/02/25	06/02/25

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