



City of Westminster

# Audit and Performance Committee

<b>Meeting or Decision Maker:</b>	Audit and Performance Committee
<b>Date:</b>	22 <sup>nd</sup> October 2024
<b>Classification:</b>	General Release
<b>Title:</b>	2023/24 Annual Accounts
<b>Wards Affected:</b>	ALL
<b>Policy Context:</b>	The accounts detail the Council's financial performance for 2023/24. Further detail regarding the Council's Fairer Westminster vision, opportunities and risks can be obtained in the Narrative Statement and Annual Governance Statement
<b>Financial Summary:</b>	This report presents the Statement of Accounts for the Council for the financial year ended 31 March 2024. It also presents the external auditor's Audit Findings Report.
<b>Report of:</b>	Gerald Almeroth, Executive Director – Finance & Resources

## **1. Executive Summary**

- 1.1. The Audit and Performance Committee reviewed the draft statement of accounts at its meeting on 18<sup>th</sup> July 2024. Since then, the Council's external auditors Grant Thornton have undertaken their audit for the Council's accounts.
- 1.2. At the time of publishing this covering report, Grant Thornton still has some minor review items outstanding that they expect to resolve by the date of the committee. This report provides an overview of the work completed.
- 1.3. The Council had a public inspection period of the accounts from 3<sup>rd</sup> June to 12<sup>th</sup> July. There were no objections raised during the inspection period.
- 1.4. The Audit Findings Report (AFR) sets out the changes made to the accounts since the draft set of accounts were published in July 2024. The AFR is attached at Appendix 1 and the audit adjustments are set out in Appendix D of that report.
- 1.5. This statement of accounts complements the financial outturn position and reports the Council's financial position in line with International Financial Reporting Standards, adopted by CIPFA for the purposes of Local Government via the Code of Practice on Local Authority Accounting.
- 1.6. The 2023/24 final audited accounts report a net asset position of £3.290bn, with a variance of £51m in comparison to the prior year - a variance of 1.5%. This shows the Council's asset and liabilities have remained stable.

## **2. Recommendations**

- 2.1. The Audit and Performance Committee notes the expected unmodified (i.e. unqualified) opinion of the Council's Statement of Accounts.
- 2.2. The Audit and Performance Committee considers the findings outlined in Grant Thornton's Audit Findings Report (Appendix 1)
- 2.3. That the Audit and Performance Committee approves the adjustments outlined in the AFR that are reflected in the final audited set of 2023/24 accounts (Appendix 2).
- 2.4. That Audit and Performance Committee delegates any residual matters relating to the audit of accounts to the Section 151 officer.

## **3. Reasons for Decision**

- 3.1. The Accounts and Audit Regulations 2015 para 9 requires the Council's S151 Officer to confirm they are satisfied that the accounts present a true and fair view of the financial position of the authority and commence the period for exercise of public right.

## 4. Background

### Framework for Local Government Financial Reporting

- 4.1. Local government accounts are based on an accounting code produced by CIPFA LASAAC. The code is an adaptation of International Financial Reporting Standards for the purposes of UK local government bodies. The accounts include a number of statutory overrides which are set out in note 15 of the Statement of Accounts. The purpose of these overrides is to neutralise the impact of accounting standards on the Council's financial position.
- 4.2. Local government accounts include the following core statements:
- Comprehensive Income and Expenditure Statement (CIES) - recording all revenue income and expenditure for the year
  - Balance Sheet – showing the value of assets and liabilities held by the Council
  - Cashflow Statement – showing movements in cash and cash equivalents for the Council. Complementing the CIES and Balance Sheet which are completed on an accruals basis.
  - Movement in Reserves Statement – this is a local government specific statement. It shows how reserves have changed by removing accounting items in the CIES that are required by statute to not impact the Council's reserves – reconciling to the outturn position.
- 4.3. Notes to the Accounts provide further detail on individual line items in the core statements

### Backstop Arrangements

- 4.4. On 9<sup>th</sup> September the Government laid before Parliament the amendments to the Accounts and Audit Regulations 2015 that implement the revised proposals for backstop dates in relation to outstanding local audits.
- 4.5. The backstop dates are then set as:

2022/23 and earlier financial years	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 4.6. At the backstop dates an authority must have approved and published its statement of accounts for the relevant year(s), in accordance with the existing requirements of the Regulations.
- 4.7. The Regulations detail the conditions under which an authority will be exempt from the backstop requirements - on the day before the backstop date:
- the auditor is considering an objection to the accounts
  - an elector who has made an objection still has rights of appeal against the auditor's decision not to act
  - the auditor is considering whether to apply to the courts for a declaration that an item of account is unlawful (or an application has been made for which due process is incomplete)
  - The auditor is not yet satisfied that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 4.8. If an authority does have an exemption, it will need to issue a notice stating that it has not been possible to publish the statement of accounts and the reasons why not. Publication must then follow as soon as reasonably practicable.
- 4.9. If an authority does not have an exemption but fails to publish by the backstop date, it must issue a notice stating that it has not been able to publish the statement of accounts, the reasons why not and an acknowledgment that the authority must publish the statement as soon as reasonably practicable. The notice must be sent to the Secretary of State.
- 4.10. The statutory instrument also moved the deadline for the draft statement accounts from 31<sup>st</sup> May (following the year-end) to 30<sup>th</sup> June.

#### External Audit of the Financial Statements

- 4.11. Under International Standards of Auditing, auditors are required to communicate the findings of the audit to those charged with governance. The Audit Findings Report fulfils that requirement and are submitted with an unmodified which is the first stage of the certification process. The term unmodified is the equivalent of unqualified and can be read as a set of accounts that are a true and fair assessment of the Council's finances.
- 4.12. Grant Thornton's assessment of the Council's Value for Money (VfM) arrangements is concluded and is included within the Auditor's Annual Report elsewhere on this Committee's agenda. Westminster does not need to perform a Whole of Government Accounts (WGA) return as it is below the National Audit Office's materiality threshold.
- 4.13. The draft accounts and the outturn position for 2023/24 were presented to the Committee on 18th July. The audit process is intended to ensure that there are no material misstatements in the accounts and the audit is directed towards

forming and expressing an opinion about the financial statements that they provide a true and fair view.

4.14. A set of audited accounts is an important assurance for the public in that the financial affairs of the Council are being managed appropriately. Similarly other bodies such as private finance lenders to the Council use audited sets of accounts as a way of gaining an independent view to support their risk rating assumptions. The audit of accounts has not led to any changes to the outturn as presented in July. Any changes outlined in the AFRs have been accounting or classification issues. The key changes are outlined in the sections below.

## **5. Audit Findings Report**

5.1. During the audit process some adjustments have been made to the statement of accounts and these are outlined in the Audit Findings Report (AFR). These adjustments have had no impact on the bottom line and impact classification on the balance sheet (i.e. statement of financial position). The key findings are:

- Prior Period adjustment required of £14.6m to recognise asset demolitions that had not been included in the 22/23 accounts
- Lack of timely and accurate information from Council's valuer, with Property Plant and Equipment overstated by £4.6m and Investment Properties being overstated by £23m
- Incorrect classification of assets constructed for further sale under asset under construction but should have been inventory. £127.2m assets under construction have been moved to inventory for 31<sup>st</sup> March 2024 and £106.7m moved to inventory in March 2023 and a prior period adjustment to opening balances of inventory
- Amendment to key estimates note to include estimates for business rates appeals which is used to inform the level of appeals provision.

## **6. Objections**

6.1. The auditors have not received any objections in relation to the 2023/24 statement of accounts.

## **7. Conclusion**

7.1. Grant Thornton are expecting to issue unqualified/unmodified opinions on the Council's accounts, subject to completion of final review points noted in the AFR.

7.2. Final certification will be given once the Value for Money assessment is finalised. The accounts themselves can be formally approved at the 22nd October 2024 Audit and Performance Committee.

7.3. The audited accounts provide further assurance of the Council's strong financial

position and that its resources provide resilience against the uncertainty of the current financial landscape and gives medium term protection against any changes in core funding arising from future local government settlements.

**BACKGROUND PAPERS:**

Appendix 1: Audit Findings Report (Council) 2023/24

Appendix 2: Audited Statement of Accounts 2023/24

Appendix 3: Letter of Representation for the year ended 31 March 2024

Appendix 4: Informing the Audit Risk Assessment WCC 23/24

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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