

TUESDAY 14 JANUARY 2025

REPORT TITLE:	EXTERNAL AUDITOR'S ANNUAL REPORT 2023/24 - STATUTORY RECOMMENDATION
REPORT OF:	DIRECTOR OF FINANCE (\$151 OFFICER)

REPORT SUMMARY

The Council's external auditors (Grant Thornton) have completed the Council's audit of the 2023-24 Statutory Accounts. As part of this process the auditors undertook a Value for Money audit, and this is reported in their Annual Audit Report.

The auditors have a duty to provide an Annual Audit Report of the key issues/findings from their Value for Money review, for consideration by a wider audience across the Council, Pension Fund and its key stakeholders.

The Annual Audit Report includes a Statutory Recommendation issued under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014, for the Council, due to the serious financial challenges the Council is enduring. Management response to the recommendation is included in this report. The full report will be considered at Audit and Risk Management Committee in January 2025.

Council is requested to only consider the Statutory Recommendation and Management Comments on pages 6 to 8 and not full report. As per its terms of reference, the Audit and Risk Management Committee will consider the Annual Audit Report at its meeting on 28 January 2025.

This matter affects all wards. This is not a key decision.

The report contributes to the delivery of all Council Plan Priorities by ensuring that the Council's decision-making process is as effective as possible.

RECOMMENDATION

Council is recommended to:

1. Note and accept the single Statutory Recommendation in the Auditor's Annual Report 2023/24;
2. Refer the single Statutory Recommendation to Policy and Resources Committee as part of the budget setting process; and
3. Note the management comment responding to the single Statutory Recommendation as detailed in Appendix 2.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATION

- 1.1 The Annual Audit Report is an essential element of the independent external audit process. The Annual Audit Report for the year ending 31 March 2024 contains a Statutory Recommendation, that Full Council must consider and address.
- 1.2 The external auditors have identified one significant weakness. In their judgement, the Council, did not have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24.
- 1.3 The External Auditor is using their powers under Section 24, schedule 7(2) of the Local Audit and Accountability Act 2014 to make a singular Statutory Recommendation, to Wirral Metropolitan Borough Council. The Council is required, to consider this recommendation at a meeting before the end of the period of one month beginning on the day the Annual Audit Report is sent as a final report to the Council.
- 1.4 The Annual Audit Report was received by the Council on 6 January 2025. Council by way of an extraordinary meeting on 14 January, fulfils that statutory requirement.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 There are no other options as under legislation the Council is required to submit the report to full Council for comment and approval. Failure to comply with the audit regulations would be to the detriment of the Council.

3.0 BACKGROUND INFORMATION

- 3.1 Grant Thornton undertook their annual audit of the Council's financial reporting and activities. These reviews are intended to give assurance to both Members, residents, and external stakeholders that the Council's financial activities have been appropriately reported in its Accounts.
- 3.2 The external auditors have issued a Statutory Recommendation under section 24 schedule 7 of the Local Audit and Accountability Act 2014.

Statutory recommendations are reserved for more significant audit matters, as they are required to be sent to the Secretary of State and must be considered at a public meeting of the Council within one month of the recommendations being sent to the Council.

At the public meeting, the Council must decide:

- whether the recommendation is to be accepted, and
- what, if any, action to take in response to the recommendation.

The Council must subsequently notify the auditors of its decisions and publish a notice containing a summary of its decisions. These decisions must be approved by the auditors.

- 3.3 One Statutory Recommendations has been made, which is set out below. Appendix 2 details the full recommendation and recommended management comments:

The Council is in an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. There is a risk that the Council will need exceptional financial support to balance the financial position in 2024/25 and to set a balanced budget in 2025/26. We (the auditors) recommend the Council take immediate action to manage the risks this should include:

- Identify additional savings and efficiencies to mitigate forecast overspends in 2024/25, especially in consideration of the Council's low level of reserves and the unfunded budget gap within the Council MTFS.
- Ensuring the Council has the necessary organisation grip to progress the Council's planned transformation programme at scale and pace to identify budget savings and wider efficiencies.
- Satisfying itself that social care services have the required focus, skills, and capacity to ensure efficiency of delivery.
- Revising the robustness and relevance of performance reports, recently introduced, and planned to be introduced, to ensure these are adequate in supporting the Council to respond to the serious financial challenges it faces.
- Reviewing the sufficiency of the finance team resources to the necessary capacity is in place to support the organisational responses to the critical financial position.
- Ensuring that member oversight of the Council's actions to address its financial challenges is optimal and reflects the significance of the situation.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Council currently faces a critical financial position, which requires immediate action. The Ministry of Housing, Communities & Local Government (MHCLG) have been made aware of the situation. At present, there is significant risk of a Section 114 notice being issued by the Council's S151 Officer.
- 4.2 Additional auditor fees will be incurred in respect of the statutory recommendations; these are recoverable by the external auditor from the Council under Schedule 7 section 2 (4) in respect of any reasonable costs.

5.0 LEGAL IMPLICATIONS

- 5.1 The External Auditor is using powers under Section 24 schedule 7(2) of the Local Audit and Accountability Act 2014 to make a Statutory Recommendation. The Council is required under paragraph 5 (Schedule 7) of the same Act to consider that recommendation at a meeting held before the end of the period of one month beginning on the day this report was sent to the Council.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 None arising directly from this report.

7.0 RELEVANT RISKS

7.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in qualification of the accounts, which may lead to further audit costs.

7.2 In any budget year, there is a risk that operation will not be constrained within relevant budget limits. Under specific circumstances the Section 151 Officer may issue a Section 114 notice. For the current year this remains a significant risk

7.3 If any concerns identified by Grant Thornton are not addressed by the Council, then there is a risk that the Council will not be able to meet its statutory requirements in respect to the operating within the legal budget, as well as impacting upon the Value for Money and Financial Resilience of the Council and the Council's reputation.

8.0 ENGAGEMENT/CONSULTATION

8.1 None arising directly from this report.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision, or activity.

9.2 There are no equality implications arising specifically from this report. The files attached may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Diane Grisdale if you would like these documents in an accessible format.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth.

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APPENDICES

Appendix 1 – Wirral Council External Auditors Annual Audit Report 2023/24

Appendix 2 – External Auditors Statutory Recommendation and Management Comments

BACKGROUND PAPERS

- External Audit Findings Report 2023-24
- Statement of Accounts 2023-24
- External Audit Plan 2023-24

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee:	
Statement of Accounts 2023/24	22 October 2024
Draft Statement of Accounts 2023/24	31 July 2024
Wirral Council External Audit Plan 2023/24	31 July 2024
External Annual Audit Report 2022/23	26 March 2024
External Audit Progress Report	15 January 2024
2022/23 Statement of Accounts 2022/23	12 December 2023
External Auditors Annual Audit report 2021/22	12 December 2023
Wirral Council External Audit Plan 2022-23	27 June 2023
Draft Statement of Accounts 2022/23	27 June 2023
External Auditors Annual Audit report 2020/21	20 July 2022
External Audit Progress Report	15 March 2022