

## APPENDIX C

### Independent auditor's report to the members of Redditch Borough Council

#### Report on the audit of the financial statements

##### Disclaimer of opinion

We were engaged to audit the financial statements of Redditch Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cashflow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

##### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The latest date on which unaudited accounts could be published to enable local elector rights to be met in time for the backstop was 31 October 2024. The authority published its unaudited accounts on XXX. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 as soon as reasonably practicable after the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

##### Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

##### Opinion on other matters required by the Code of Audit Practice

The Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except:

On 31 October 2022 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to issues with financial systems and related financial governance arrangements. We recommended that the Authority should:

- ensure the Authority has access to the necessary knowledge and expertise to resolve the key issues with the Enterprise Resource Planning (ERP) system in a timely manner to provide sufficient assurance over the completeness and veracity of the data included within the systems;
- undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and
- ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals.

Once system issues are properly resolved, the Authority must:

- undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;
- produce the 2020/21 and 2021/22 draft financial statements, along with high quality working papers;
- conclude the 2020/21 and 2021/22 Revenue Outturn and Capital Outturn submissions, and other key Government returns include Whole of Government Accounts; and
- ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.

On 23 November 2023 we made a further written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should produce 'true and fair' draft accounts for 2020/21, 2021/22 and 2022/23 which are signed off by its Section 151 officer. In addition, the accounts must be supported by high quality working papers. Working papers must be subject to internal quality control checks prior to being provided to external audit to avoid further delays.

## **Responsibilities of the Authority and the Director of Finance and Resources**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter:

- On 31 October 2022 we identified a significant weakness in the Authority's governance arrangements for the year ended 31 March 2021. The Authority had not been able to produce the draft statement of accounts for 2020/21 due to long-standing issues with its new ledger system which had resulted in delays. We made a written recommendation under Schedule 7 of the Local Audit and Accountability Act 2014 relating to this significant weakness.

On 23 November 2023 we made a further written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to this significant weakness in governance and financial sustainability. These written recommendations are reported within 'Matters on which we are required to report by exception' section of this report. This significant weakness in arrangements remains in place for the year ended 31 March 2023.

- On 23 November 2023, we identified and reported a further significant weakness in the Authority's governance arrangements. This was in relation to organisational capacity and capability, which impacts on the Authority's ability to deliver business as usual as well as strategic extraordinary projects. We recommend that the Authority direct effort towards embedding and stepping up the Workforce Strategy objectives and ensures there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of Redditch Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date: