

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST ALBANS CITY & DISTRICT COUNCIL**

### **Disclaimer of opinion**

We do not express an opinion on the accompanying financial statements of the Authority. 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.

We were engaged to audit the financial statements of St Albans City & District Council ("the Authority") for the year ended 31 March 2021 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement in the Housing Revenue Account, the Collection Fund Statement and notes to the financial statements including material accounting information. 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 2020/21.

### **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 2021 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 conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. These audit procedures include, but are not limited to: testing of journals for evidence of management override, testing of valuations for council dwellings and other land and buildings; reconciliation of the cash book to the Authority's bank account where there remain unmatched debits and credits of £3.1 million; and reconciling the VAT receivable balance at 31 March 2021 of £0.9 million to correspondence from HM Revenues & Customs. As a result, we are unable to conclude that the Authority's financial statements for the year ended 31 March 2021 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of further undetected misstatements arising from these matters could be both material and pervasive. We were unable to issue this disclaimer of opinion by the backstop date because the Authority was adjusting its financial statements to correct arithmetic and internal consistency misstatements.

When we disclaim an opinion on the financial statements, we are required to describe in this section of our report the reasons for any other matters of which we are aware that would have required a modification to the opinion, and the effects thereof. We have identified the following matters.

Note 13 to the financial statements discloses Other Land and Buildings valued at £203.571 million at 31 March 2021 and £230.615 million at 31 March 2020. Our testing in respect of these assets identified the following matters:

- the valuation at 31 March 2020 overstated the land area for developed land for recreation centres and understated the area of undeveloped land. This resulted in the gross valuation of these assets being overstated by £5.7 million at 1 April 2020. This matter was addressed in the Authority's financial statements for the year ended 31 March 2021.
- the valuation at 31 March 2020 inappropriately excluded land valued at £0.7 million from assets valued using a depreciated replacement cost valuation basis. This resulted in the gross valuation of these assets being understated by £0.7 million at 1 April 2020. This matter was addressed in the Authority's financial statements for the year ended 31 March 2021.

These matters result in the gross and net book value of Other Land and Buildings at 31 March 2020 being overstated by £5 million and they also impact the consequential decrease in revaluation for the year ended 31 March 2021. The Authority has not made a prior period adjustment to correct the misstatements identified at 31 March 2020.

We made inquiries of the Authority as to whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority. We have not received a sufficiently detailed response to our inquiries. Therefore, we are unable to evaluate whether any fraud that may be material to the financial statements has, or is likely to have, occurred.

### **Other information**

The Assistant Director - Finance is responsible for the other information. The other information includes all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Code of Audit Practice 2024 requires auditors to report on whether other information published together with the financial statements is consistent with the financial statements. 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 on whether the other information published together with the financial statements is consistent with the financial statements.

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

#### ***Use of resources***

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weakness in the Authority's arrangements for the year ended 31 March 2021:

<b>Significant weakness in arrangements</b>	<b>Recommendation</b>
<p>As set out in the Basis for disclaimer section of this report, we identified material misstatements in the Authority's financial statements for the year ended 31 March 2021. These material misstatements were made because of insufficient capacity and resources in the Authority's finance team. In addition, the Peer Review Challenge performed by the Local Government Association noted concerns in the capacity within the finance team. These matters are evidence of a significant weakness in the Authority's governance arrangements, in that the Authority did not have effective arrangements in place to prepare its Statement of Accounts and ensure that its decisions were based on accurate and timely management information.</p>	<p>The Authority should review the capacity and technical expertise in its Finance Department to address the issues raised in the Peer Review Challenge and to prepare materially accurate Statements of Accounts in accordance with the CIPFA Code financial reporting framework.</p>

### ***Other matters on which we report by exception***

We are required to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21;
- 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;
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters, except that because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### **Responsibilities of the Assistant Director - Finance and the Authority**

As explained more fully in the Statement of Responsibilities, the Assistant Director - Finance is responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view and for such internal control as the Assistant Director - Finance 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 Assistant Director - Finance is responsible for assessing the Authority'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 without the transfer of its services to another public sector entity.

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

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

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters 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 these financial statements.

We are independent of the Authority 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.

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. 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 work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

## **Auditor's other responsibilities**

As set out in the Other matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

## **Certificate**

We certify that we have completed the audit of the accounts of the Authority 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 St Albans City & District Council as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

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*Leigh Lloyd-Thomas*  
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Leigh Lloyd-Thomas, Key Audit Partner

For and on behalf of BDO LLP, Local Auditor

London, UK

31 January 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).