

Report to: **Audit and Governance Committee**
Date: **19 March 2024**
Title: **Annual Statement of Accounts 2022/2023**
Portfolio Area: **Resources – Cllr C Edmonds**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:

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Recommendations:

It is recommended that Members approve:

1. The wording of the Letter of Representation (Appendix A).
2. The audited Statement of Accounts for the financial year ended 31 March 2023 (Appendix B).
3. The Annual Governance Statement post audit (Appendix C).
4. The audited Summary of Accounts for the financial year ended 31 March 2023 (Appendix D).

1. Executive summary

- 1.1 This report presents a summary of net revenue and capital expenditure for Members' consideration and seeks approval of the audited Statement of Accounts for 2022/23. **Following approval of the accounts, the Chairman of the Audit and Governance Committee is required to sign and date the accounts.** Members are also required to consider the content of the Letter of Representation. **Following approval of its wording, the Chairman of the Audit and Governance Committee and the Section 151 Officer (Director of Strategic Finance) are required to sign the Letter of Representation.**

- 1.2 **The 2022/23 Audit has identified no adjustments to the Draft West Devon Accounts which were considered by the Audit and Governance Committee on 25 July 2023:** <https://democracy.swdevon.gov.uk/documents/g1910/Public%20reports%20pack%2025th-Jul-2023%2011.00%20West%20Devon%20Audit%20Governance%20Committee.pdf?T=10>

Therefore the Audited Accounts for 2022/23 presented to Members of the Audit and Governance Committee today, are essentially the same set of Accounts which the Audit Committee considered at their meeting in July, except for a few minor disclosure changes. These disclosure changes are detailed further in the Audit Findings report from Grant Thornton, a separate item on this Audit and Governance Committee agenda.

2. Background

- 2.1 The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduced revised procedures for the approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the audit.
- 2.2 The target date for the 2022/23 unaudited accounts to be produced and certified by the Chief Finance Officer was 31 May 2023. As a response to the disruption caused by the Covid-19 pandemic, the Government extended the date by which local authorities should publish their draft accounts from 31 May to 31 July for previous financial years. 2022/23 is therefore the first year since the pandemic that the regulation date has been brought forward to 31 May.
- 2.3 The Council was unable to complete all the necessary processes in order to meet the earlier deadline and the draft 2022/23 Statement of Accounts were published on 30 June 2023. As required a notice was added to our website setting out this position and explaining that this was mainly due to the demand on staff time resolving complex technical matters such as the impact of the triennial pension valuation data on IAS 19 Employee Benefits which has a material impact on the Accounts. The view of the S151 Officer was that the accuracy of the financial statements was paramount. As at 31 March 2023, the Actuary estimated a net deficit on the funded liabilities within the Pension Fund of £5.5 million which compares to a deficit of £24.2 million as at 31 March 2022. Therefore the movement on the Pension Fund Liability was a material amount.

- 2.4 The Accounts and Audit Regulations require that the 2022/23 audited accounts and opinion is published by 30 September 2023. However, the 2022/23 audit was delayed by Grant Thornton due to their lack of staffing capacity. The audit commenced at the beginning of November 2023 and was completed at the end of February 2024.
- 2.5 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of Accounts is also important to the budgetary process since it confirms the availability of reserves and balances for future use.
- 2.6 The attached booklet (Appendix B) contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow.
- 2.7 The accounts have been prepared in accordance with all relevant and appropriate accounting standards, including International Accounting Standard (IAS) 19 which deals with pension costs. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the Council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's Statement of Accounts. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's surplus for the year.
- 2.8 The Annual Governance Statement (AGS) for 2022/23 shown in **Appendix C** reflects the reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. The requirements include:
- An acknowledgement of responsibility for ensuring there is a sound system of governance.
 - A reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment.
 - An opinion on the level of assurance that the governance arrangements can provide.
 - An agreed action plan.
 - A conclusion.

- 2.9 The CIPFA/SOLACE 2016 Framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with seven core principles of good governance. Examples of the framework the Council adopts to comply with the Code's key principles are included within the AGS, as well as an accompanying assurance statement.

3. Outcomes/outputs

Revenue Expenditure

- 3.1 Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity. The under spend on the General Fund in 2022/2023 of £79,000 is essentially a break-even position. ***The 2022/23 budget was £7.77 million and therefore the surplus of £79,000 means that the actual net spend was 1.0% less than the budget.*** This surplus will go into the Council's Unearmarked Reserves which now stand at £1.57 million. The main variations from budget are shown on Page 9 of the Narrative Statement in the Statement of Accounts.

Capital Expenditure

- 3.2 Capital expenditure represents monies spent on the purchase, construction, or major refurbishment of assets. The Council's capital expenditure amounted to £2.0 million in 2022/23. The main areas of expenditure were as follows:

- Housing renovation grants including disabled facilities grants (£1.1m)
- Green Homes grants (£0.5m)
- IT schemes (£0.2m)

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (see Note 33 of the Statement of Accounts for 2022/23).

Audit of Accounts

- 3.3 The draft SOA was considered by the Audit and Governance Committee on 25 July 2023. These accounts are required to be audited by the Council's external auditors Grant Thornton, who give their opinion on the draft accounts. The annual audit was undertaken remotely and commenced at the beginning of November 2023 and was completed at the end of February 2024.

- 3.4 At the time of writing this report Grant Thornton have substantially completed their audit of the financial statements for 2022/23 and subject to the final review queries being resolved, **Grant Thornton anticipate issuing an unqualified audit opinion following this Audit and Governance Committee meeting.**

In essence, the audited accounts for 2022/23 are the same set of accounts that were considered by the Audit and Governance Committee on 25 July 2023. There are no adjustments to the draft accounts apart from a few minor disclosure changes.

The Grant Thornton external audit opinion states that 'Working papers and responses were of a good quality and we would like to thank the finance team for their support throughout the audit.'

3.5 **Summary Accounts**

In light of the length of the statutory accounts a shortened version was prepared for 2022/23. The audited summary of the Accounts in Appendix D is a more user friendly document which can be easily read by members of the public and our businesses to get an understanding of the financial position of the Council for 2022/23. There were no changes to the draft summary accounts that were considered by the Audit and Governance Committee in December 2023. These have now been presented in Appendix D as the Audit has been completed.

3.6 **Value for Money (VFM) arrangements**

On 5 December 2023 the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report stated that 'The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.'

4. Proposed Way Forward

4.1 The Council Constitution delegates approval of the Accounts to the Audit and Governance Committee. The Council is also required to sign a Letter of Representation every year, which gives representations to the Council's external auditors. The Chairman of the Audit and Governance Committee and the Section 151 Officer (Director of Strategic Finance) are required to sign the Letter of Representation. The letter is attached at Appendix A. It is recommended that Members approve the wording of the Letter of Representation.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.</p> <p>The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).</p> <p>The Council Constitution delegates approval of the Accounts to the Audit and Governance Committee.</p>
Financial implications to include reference to value for money		<p>The financial implications to this report are that a surplus of £79,000 was generated in 2022/2023. This means that the Council's actual net spend for 2022/2023 was 1.0% less than the budget set for the year.</p> <p>On 5 December 2023 the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>The report stated that 'The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.</p>

Risk		<p>Public Accountability – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is recognised by statute as representing proper accounting practice.</p> <p>Resource Planning – the Council takes into account any significant issues when developing the Council’s Medium Term Financial Strategy.</p>
Supporting Corporate Strategy		The Annual Statement of Accounts and Annual Governance Statement support all of the Delivery Plans within the Council’s strategic vision, ‘A Plan for West Devon’.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendix A – Letter of Representation
Appendix B – Audited Statement of Accounts 2022/23
Appendix C – Annual Governance Statement 2022/23
Appendix D – Audited Summary of Accounts 2022/23

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A