

Item No. 12.	Classification: Open	Date: 15 November 2023	Meeting Name: Audit, Governance and Standards Committee
Report title:		2021-22 Statement of Accounts including the Pension Fund and Audit Findings Report	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATION

1. That the Audit, Governance and Standards Committee:
 - a. consider the matters raised in Grant Thornton's interim audit findings report for 2021-22 (appendix A) before approval of the council's main accounts
 - b. note the adjustments to the main accounts as set out in pages 22-23 of the interim audit findings report (appendix A)
 - c. consider the matters raised in the Pension Fund audit findings report 2021-22 (appendix B) prior to approval of the Pension Fund accounts
 - d. note the adjustments to the Pension Fund accounts as set out in page 14 of the audit findings report
 - e. approve the Statement of Accounts 2021-22 (appendix C), subject to any final changes required by the conclusion of the audit, being delegated to the strategic director of finance and governance in consultation with the chair of audit, governance and standards committee
 - f. delegate approval of letters of representation for the council and pension fund as required by Grant Thornton In order to conclude the audit of 2021-22 statement of accounts

BACKGROUND INFORMATION

2. As the council's appointed external auditor, Grant Thornton is required under the statutory Code of Audit Practice for Local Government Bodies to issue reports to those charged with governance summarising the conclusions of the audit work. The audit, governance and standards committee is the council's constitutional body for receiving these reports and needs to consider the auditor's reports before approving the accounts.

3. There are separate audit findings reports from the auditor for the main accounts and the Pension Fund accounts due to the separate audits for both areas.
4. The auditor is required by professional auditing standards to report to the committee certain matters before giving their opinion on the financial statements.
5. In addition to reporting on the financial statements, the auditor reports on any circumstances where they suspect or detect fraud and on whether, in their view, the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources
6. The principal purposes of the reports are to:
 - a. reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the audit, governance and standards committee;
 - b. share information to assist both the auditor and the committee to fulfil their respective responsibilities;
 - c. provide the committee with recommendations for improvement arising from the audit process.
7. Before the auditor issues their formal opinion, they will require letters of representations to be provided by the council.. These letter are usually approved by this committee but due to time constraints the approval and sign off will be delegated to the strategic director of finance and the chair of the audit, governance and standards committee on behalf of the council.

KEY ISSUES FOR CONSIDERATION

Audit Opinion

8. The auditor has substantially completed the audit of the financial statements and, subject to outstanding queries being resolved, anticipates issuing unqualified opinions on both the main accounts and the Pension Fund. The bulk of the audit was completed by February 2023 but has since been delayed due to the national issue regarding infrastructure accounting which delayed the 2020-21 audit, the auditors moving to other clients in the interim and staffing changes with the auditors and the council.
9. Due to national backlog of local authority audits the Department for Levelling Up, Housing and Communities (DLUHC) are currently considering the introduction of legislation to implement statutory deadlines for completion of audits up to and including 2022-23 accounts. It is anticipated that this deadline will be 31 March 2024 and if it is not achieved auditors may need to issue qualified opinions and disclaimers of opinion (ie no audit opinion is given). Therefore there is an urgency to complete the outstanding audits of 2021-22 accounts and it is intended to do so by December 2023. This requires the need to delegate authority to the strategic director of

finance and the chair of the audit, governance and standards committee to approve any further potential changes to statement of accounts resulting from the audit, and also to approve letters of representation (which will be standard representations similar to previous years) as required by Grant Thornton before an audit opinion can be issued.

10. The purpose of Grant Thornton's Audit Findings Reports (AFR) is to detail their findings and matters arising during the course of auditing the financial statements. The auditors will provide an update on any outstanding audit items during the presentation of their findings to this committee.
11. The outcome of the auditor's VFM work will be reported in the auditor's annual report which is expected to be issued by 31 March 2023, in line with the National Audit Office's revised guidance as detailed in appendix F of the council's Audit Findings Report.
12. Grant Thornton have commented on the good quality of the pre-audit statement of accounts 2021-22 including the Pension Fund, The audit has been complicated this year due to the challenges of "raising the bar" audit standards being elevated with more rigorous sample testing . Again this year there has been an excellent working relationship between Grant Thornton and the council contributing to the successful audit.
13. There are currently no areas of dispute between the council and the auditors and no unadjusted misstatements. The main changes are a change to the net pension liability resulting from the triennial valuation of the pension fund, as measured under International Financial Reporting Standards, which has no impact on the council's reserves; and secondly the valuation of infrastructure assets has been presented on a net basis (rather than by presenting gross value less accumulated depreciation). A number of minor presentational and formatting changes were also made. There will be a further quality assurance review of the accounts by the finance team before Grant Thornton's final review of the financial statements and publication of the Final 2021-22 Statement of Accounts on the council's website
14. There is one outstanding objection to the draft 2021-22 accounts which is currently under investigation. Until the objection is completely resolved, the council will not be able to issue a notice of conclusion of the audit

Community, equalities (including socio-economic) and health impacts

Community impact statement

15. This report and the accompanying accounts are not considered to have a direct impact on local people and communities. However, good financial management and reporting arrangements are important to the delivery of local services and to the achievement of outcomes.

Equalities (including socio-economic) impact statement

16. This report is not considered to contain any proposals that would have a

significant equalities impact.

Health impact statement

17. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

18. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

19. There are no direct resource implications in this report.

Consultation

20. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts were open for public inspection from 3 July 2023 until 11 August 2023.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

21. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Finance files	Finance Department, Second Floor, Tooley Street	Amarjit Uppal 0207 525 4578

APPENDICES

No.	Title
Appendix A	Draft 2022-23 statement of accounts for Southwark council
Appendix B	Audit Findings Report for Southwark Council 2021-22
Appendix C	Audit Findings Report for Southwark Council Pension Fund 2021-22

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Amarjit Uppal, Chief Accountant	
Version	Final	
Dated	26 October 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive Governance & Assurance	N/A	N/A
Strategic Director of Finance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	6 November 2023	