

<b>Meeting Name:</b>	Audit, governance and standards committee
<b>Date:</b>	25 April 2024
<b>Report title:</b>	2022-23 statement of accounts including the pension fund and audit findings reports
<b>Ward(s) or groups affected:</b>	All
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A

### **RECOMMENDATION(S)**

1. That the audit, governance and standards committee:
  - a. Consider the matters raised in Grant Thornton's audit findings report for the council 2022-23 (appendix A) before approval of the council main accounts
  - b. Note the adjustments to the council's accounts as set out in pages 37-42 of the audit findings report (appendix A)
  - c. Consider the matters raised in the pension fund audit findings report 2022-23 (appendix B) before approval of the Pension Fund accounts
  - d. Note the adjustments to the pension fund accounts as set out in pages 22-24 of the audit findings report
  - e. Approve the letters of representation for the council and pension fund (appendix C and appendix D) as required by Grant Thornton in order to conclude the audit of 2022-23 statement of accounts
  - f. Approve the Statement of Accounts 2022-23 (appendix E).
  - g. Note the internal audit report on an objection to the 2021-22 statement of accounts (appendix F)

### **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.
  - d. Before the auditor issues their formal opinion, they will require letters of representations to be provided by the council.

## **KEY ISSUES FOR CONSIDERATION**

### **Audit Opinion**

7. The auditor has completed the audit of the financial statements for both 2021-22 and 2022-23 and anticipates issuing unqualified opinions for both sets of accounts. In common with the vast majority of local authorities there have been substantial delays in completion of audits in recent years. The situation at Southwark was further exacerbated by staffing changes of key personnel both at the Council and to the audit team during the audit period.
8. The current phase of the audit commenced in October 2023 and in the intervening period the auditors and council staff have been working on completing the outstanding areas of the 2021-22 audit as well as the 2022-23 audit. The 2021-22 accounts and Audit Findings Report were presented to the committee in November 2023 and February 2024. The Committee has approved the 2021-22 accounts and delegated authority to the Director of Finance in consultation with the Chair of the audit, governance and standards to approve any changes required by the conclusion of the audit. The only change required to the 2021-22 main statements was a reduction in the reported net asset for Southwark's share of the London Pension Fund Authority's pension fund from £14.84m to nil as result of applying updated accounting guidance in this area. This accounting change has no impact on the usable reserves of the Council.
9. 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 present their findings to this committee.
10. The draft 2022-23 statement of accounts were approved by the audit, governance and standards committee on 17 July 2023. A number of

adjustments to the draft 2022-23 statement of accounts were made as a result of the audit which are detailed in pages 37-42 of the council audit findings report and pages 22-24 of the pension fund audit findings report. There are no areas of dispute between the council and the auditors and the adjustments mainly relate to fixed asset accounting. Changes have been made to processes for 2023-24 accounts to minimise the risk of similar misstatements occurring again. A number of amendments were also made to the disclosure notes as well as presentational changes. These are detailed in appendix C of the council AFR and appendix B of the pension fund AFR. None of the adjustments impact on the usable reserves of the Council.

11. The Department of Levelling Up, Housing and Communities (DLUHC) are in the process of introducing legislation which will enforce a legal backstop i.e. a deadline of 30 September 2024 for completion of all audits for 2022-23 and earlier years. Where this does not happen the auditors will be required to issue a disclaimer opinion which essentially means that they are unable to issue an opinion as the audit cannot be completed. This means further assurance will be required for future year's audits. Additional backstop dates will be implemented for future years over a five year period to allow the sector to reset itself back to a situation where most authorities can publish audited financial statements within the normal statutory deadline of 30 September.
12. According to data from the consultancy firm LG improve, as at the end of March 2024 only 21% of local authorities nationally had published 2022-23 audited accounts and 54% has published their 2021-22 accounts. For London 9 boroughs have published audited 2022-23 accounts and 17 have published 2021-22 audited accounts. In this context, subject to the resolution of the audit objection which is expected shortly, Southwark's performance is comparable to other boroughs and the council will avoid the risk of breaching the statutory (backstop) deadline.
13. The outcome of the VFM work will be reported by Grant Thornton in the auditor's annual report which is expected to be presented to the committee in June 2024.
14. There was one objection to the 2021-22 accounts which has been investigated and an internal audit report on the objection is attached in appendix F. The council will be able to issue a notice of conclusion of the audits for 2021-22 and 2022-23 once the objection has been formally resolved.

### **Letters of representation**

15. The proposed letters of representation for the main council statements and the pension fund are set out in appendices C and D respectively. The auditor has asked for a number of representations to be given, and there are no reservations in being able to give those representations.

### **Policy framework implications**

16. There are no direct policy framework implications in this report.

### **Community impact statement**

17. 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 outcome.

### **Equalities (including socio-economic) impact statement**

18. This report is no considered to contain any proposals that would have a significant equalities impact.

### **Health impact statement**

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

### **Climate change implications**

20. This report is no considered to contain any proposals that would have a significant impact on climate change.

### **Resource implications**

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

### **Financial implications**

22. This report is financial in nature but does not give rise to any direct costs

### **Legal Implications**

23. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act 1998 and regulations made there under.

### **Consultation**

24. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts were open for public inspection from 3<sup>rd</sup> July to 14 August 2023.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

25. None required.

### **BACKGROUND DOCUMENTS**

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

## APPENDICES

No.	Title
Appendix A	Audit Findings Report for Southwark Council 2022-23
Appendix B	Audit Findings Report for Southwark Council Pension Fund 2022-23
Appendix C	Letter of Representation for Southwark Council
Appendix D	Letter of Representation for Southwark Council Pension Fund
Appendix E	Statement of Accounts 2022-23 for Southwark Council and Pension Fund
Appendix F	Objection review – Fair Community Housing Services (to follow)

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Finance	
<b>Report Author</b>	Amarjit Uppal, Chief Accountant	
<b>Version</b>	Final	
<b>Dated</b>	15 April 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Assistant Chief Executive, Governance and Assurance	No	N/A
Strategic Director, Finance	No	N/A
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>		15 April 2024