

Annual Accounts 2022/23

REPORT TO AUDIT AND STANDARDS COMMITTEE



| | |
|----------------------|---|
| DATE | 14 December 2023 |
| PORTFOLIO | Resources & Performance Management |
| REPORT AUTHOR | Amy Johnson |
| TEL NO | 01282 425011 |
| EMAIL | ajohnson@burnley.gov.uk |

PURPOSE

1. To present the Council's audited Statement of Accounts for 2022/23, to obtain the formal approval of the Committee to the audited accounts, and to ask that they be signed by the chair of the Committee.
2. To ask the Audit and Standards Committee to approve the Letter of Representation from the Director of Resources to Grant Thornton (the external auditors) and to ask that it be signed by the chair of the Committee.
3. To inform the Audit and Standards Committee of the audit findings.
4. To ask the Audit and Standards Committee to approve the signed 2022/23 Annual Governance Statement.

RECOMMENDATION

5. Members are asked to:
 - a) Approve and sign the Statement of Accounts
 - b) Approve and sign the Letter of Representation
 - c) Note the audit findings
 - d) Approve the Annual Governance Statement signed as at December 2023.

REASONS FOR RECOMMENDATION

6. The deadline for publication of the draft Statement of Accounts was 31 May 2023 with the audited Statement of Accounts to be published by 30 September 2023. The draft Statement of Accounts was published in accordance with the required deadline.

Members will recall that the draft Statement of Accounts were approved by this Committee at their meeting 28th September 2023 subject to any material amendments identified during the completion of the outstanding areas of testing that had yet to be completed by Grant Thornton. Two material amendments have since been made to the draft 2022/23 Statement of Accounts which Committee are asked to approve.

SUMMARY OF KEY POINTS

7. The 2022/23 Statement of Accounts have been produced under the Code of Practice on Local Authority Accounting in the UK to 2022/23 standards.
8. The deadline for publication of the draft Statement of Accounts was 31 May and the audited Statement of Accounts 30 September.
9. The Council was able to comply with its statutory duty to publish an unaudited Statement of Accounts by the 31 May 2023.
10. Members will recall that the following audit matters were still outstanding at their meeting 28th September 2023:
 - Finalisation of queries in relation to some areas of sample testing
 - Completion of work on the pension figures
 - Testing of the housing benefit subsidy system
 - Completion of final quality checking procedures

The above audit matters have now been concluded with the exception of completion of work on the pension figures as Grant Thornton are still waiting on the letter of assurance from the Pension Fund auditor. This area of testing cannot be concluded until this letter has been received.

The draft Statement of Accounts was approved at the September 2023 meeting, subject to any material amendments identified following the conclusion of the above outstanding areas of testing.

11. Two material amendments have been made to the draft 2022/23 Statement of Accounts since approval in September 2023:
 - Removal of the Pension Surplus following clarification of the IFRIC14 assessment which now applies to all authorities following the triennial valuation.
 - Adjustments between current assets and liabilities on the Balance Sheet. The adjustments net to £0 and do not change the nets assets of the authority.

I am pleased to report that the Councils auditors are satisfied that the accounts present a true and fair view of the Councils financial position and have issued an unqualified opinion on the statements. The audited Statement of Accounts is attached for information and final approval as Appendix 1.

12. There have been five recommendations for the Council, which are detailed below along with our proposed actions to mitigate the recommendation:
 - We recommend the Council engage a further valuation for those Heritage assets not covered by the 2023 programme.

Management Response: Due to capacity issues with our external valuer, Bonhams, a full valuation of the Councils heritage assets was not completed for

the 2022/23 financial year. Instead, a partial revaluation of the major exhibits was carried out with a valuation date of 31 March 2023. The Council's external valuer is currently in the process of undertaking a desktop valuation of those assets not covered by the 2023 programme. This will conclude the valuation of the Council's heritage assets.

The Council was unable to perform a desk top exercise to value those assets not valued as a 31 March 2023 due to a lack of local indicators that could be used to provide a reliable estimate of the asset value.

- We recommend the Council carries out a regular check on the UEL's of its assets to ensure these are in line with the depreciation policy for each category of asset.

Management Response: The Council has reviewed and updated the Depreciation Policy to reflect the UEL of assets. The updated policy is included within the audited 2022/23 Statement of Accounts.

An annual review of the UEL of assets will be undertaken to ensure that they are in line with the Council's Depreciation Policy.

- We repeat our recommendation from 2021/22 that management complete their own detailed assessment to confirm the value of assets not covered within the revaluation programme are fairly stated.

Management Response: The Council values its investment and surplus properties on an annual basis. For the remainder of its land and buildings it has a 5-year rolling programme of asset valuation. This complies with CIPFA's Code of Practice. Where assets are included within the 5-year rolling programme, the Council's valuer undertakes a desktop exercise to review every asset that is not included within that year's valuation. If any issues are found, then the valuer undertakes a full valuation of that asset. Similarly, if any issues are identified in assets that have been valued that year, other assets in that class of assets will be valued. The Council's valuer will investigate the benefit of and consider the use of indices as part of the desktop exercise in future years.

- We recommend that management carry out an annual impairment review of the assets categorised under AuC category in line with the CIPFA code of guidance to ensure that values are not materially different from the actual as at year end.

Assets under construction are measured at historical cost in accordance with the 2022/23 CIPFA Code of Practice and the 2022/23 CIPFA Guidance Notes. Invoices for the Pioneer Place scheme are paid in accordance with the valuation reports issued by the Mace Group as cost consultants. Once assets become operational a full valuation takes place which would include an impairment review, in accordance with the Code.

- We recommend to limit the system admin rights to only specific individuals as to mitigate the risk of management override of controls and ultimately any material misstatement in future.

The Council already complies with this recommendation and has two specific individuals with system admin rights. For business continuity purposes there are

two staff members with system administration rights to the system – the Business Development Officer and the Finance Manager. On a day-to-day basis the Business Development Officer carries out all the system administration duties with the Finance Manager only being expected to carry out these duties in the event of the long-term absence of the Business Development Officer. The Finance Manager carried out no system administration duties in the 2022/23 financial year.

13. The wording of the external auditor's opinion on the Statement of Accounts is contained within the auditor's Audit Findings Report (Appendix 3). Once the opinion and conclusion have been formally disclosed to the Committee they will form part of the published Statement of Accounts on the Council's website. The chair of the Audit and Standards Committee is required to sign the Statement of Accounts prior to the publication.
14. Part of the process of obtaining a favourable opinion from the external auditor is that representations are required to be made by the Chief Financial Officer about a range of issues upon which confidence is placed during the course of the audit. These representations are contained in the Letter of Representation which is attached as Appendix 2. The Director of Resources, as the Council's statutory Chief Finance Officer (Section 151 Officer), will sign this letter at your meeting after discussion with the Audit and Standards Committee. In accordance with external audit requirements the Chair is also asked to sign the letter of representation.
15. The production of an Annual Governance Statement is a statutory requirement of the Council, and is to be produced in accordance with proper practice, using guidance from CiPFA, (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives). The 2022/23 Annual Governance Statement was originally reported to and approved by Committee in July 2023 and again in September 2023. A copy of the AGS is included in Appendix 4 for information. A copy signed as at December 2023 will be circulated to Members at their meeting.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

16. Audited Statement of Accounts as Appendix 1

POLICY IMPLICATIONS

17. None

DETAILS OF CONSULTATION

18. None

BACKGROUND PAPERS

19. None

FURTHER INFORMATION

PLEASE CONTACT:

**Howard Hamilton-Smith – Director of
Resources**

ALSO:

Amy Johnson – Finance Manager