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# **Statutory Statement of Accounts & Annual Governance Statement 2022/23**

Governance & Audit Committee

Decision to be taken by: Governance & Audit Committee

Date of meeting: 18 April 2024

Lead director: Amy Oliver, Director of Finance

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### **Useful information**

- Ward(s) affected: All
- Report author: Kirsty Cowell
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- Report version number: 1

## **1. Summary**

- 1.1. To seek the approval of the Committee for Council's Annual Governance Statement & Annual Accounts 2022/23.
- 1.2 To provide the Committee with an update from the External Auditor, which details their audit work and any recommendations.

## **2. Recommended actions/decision**

- 2.1 The Governance & Audit Committee is recommended to:
  - Note the auditor's ISA 260 Report (the Audit Findings Report) to those charged with Governance and the recommendations contained within it, attached at Appendix 1.
  - Approve the Statement of Accounts 2022/23, Appendix 2
  - Approve the Annual Governance Statement 2022/23, Appendix 2.
  - Approve the Letter of Representation submitted by the Director of Finance (S151), attached at Appendix 3.
  - Delegate authority to approve any minor amendments to the Annual Accounts and the Annual Governance Statement to the Director of Finance, subject to a report to the Committee at the next meeting.

## **3. Background**

- 3.1 The Accounts & Audit (England) Regulations 2015 require that the Council presents its audited Statement of Accounts along with its Annual Governance statement for approval annually by the 31 July. This is delegated to the Governance & Audit Committee by Council. For the 2022/23 accounts, this deadline was extended to the 30 September due to issues being experienced in the local authority audit sector. This extended deadline will continue until the 2027/28 accounts are completed.
- 3.2 The draft (unaudited) 2022/23 accounts were considered by the Governance & Audit Committee on the 19 July 2023.

3.3 A further progress update on the external audit have been provided to the Committee on 22 November 2023. The update has included the main items that have caused the delay in issuing the external audit opinion for the 2022/23 Statement of Accounts.

#### **4. Statement of Accounts**

##### **Update on the progress of the external audit for 2022/23**

- 4.1 The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts are presented to the Executive and to the Overview Select Committee, which set out the revenue and capital outturn for the authority. The financial position of the authority is presented in a different way in the Statement of Accounts. The outturn reports focus on the in-year financial performance in a format consistent with the Council's budgets, while the Statement of Accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the financial position as at 31st March 2023.
- 4.2 Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the accounts are consistent.
- 4.3 As previously reported, the Committee should note that the national deadline of 30th September 2023 for the publication of 2022/23 audited accounts has not been met. Nationally, only 1% of opinions had been issued at that time, rising very slightly to 10% at the end of December. Further details of accounts and audit progress nationally can be found in the latest PSAA Audit Contract Monitoring Report Data Pack at [2023-AQMR-published-final.pdf \(psaa.co.uk\)](#)
- 4.4 The delays in completion of the audit reflect the technical accounting, resourcing and audit challenges across the sector. It is important to note there is no financial penalty incurred by the Council or the auditors for not meeting the deadline.
- 4.5 During the external audit a number of adjustments have been identified and reflected in the attached version to the financial statements attached at Appendix 2, and identified in the audit findings report at Appendix 1. It is important to note that none of these amendments have resulted in a change to the money the Council has available to fund services.
- 4.6 There are recommendations in the report for improvement in our closedown process. A report is elsewhere on the agenda identifying relevant changes and improvements.
- 4.7 Key changes made in the statements are identified below:
- Correction of asset valuations, a number of corrections have been made.
  - Correction of a misclassification of a debtor as Other Entities & individuals instead of NHS bodies.
  - During the audit period updated pension fund valuation information was received, which affected the Comprehensive Income and Expenditure Statement and the Balance Sheet.

## **Annual Governance Statement**

- 4.8 The Annual Governance Statement is presented here for approval. If approved, the Statement will be signed by the Chief Operating Officer and City Mayor and published with the Statement of Accounts.
- 4.9 This is an important statement that should assure the people of Leicester that the Council operated in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse.
- 4.10 The format of the Annual Governance Statement to a large extent is dictated by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'.

## **Letter of Representation**

- 4.11 The letter of representation is a letter to the external auditors signed by the Director of Finance (s.151 officer) and approved by the Governance & Audit Committee.
- 4.12 The letter is designed to give the external auditor assurance on the information included in the Statement of Accounts and to affirm that the primary responsibility for the content of the Statement of Accounts remains with the Council.

## **ISA 260 Report to those charged with Governance**

- 4.13 The External Auditor's ISA 260 Report (the Audit Findings Report) presents the observations from the audit work undertaken that are significant to the responsibility of those charged with governance to oversee the financial reporting process. ISA is the International Standard on Auditing (UK). The report can be found at Appendix 1.
- 4.14 It is an important report and details the conclusions of the external audit and makes recommendations. Management responses to the recommendations are contained within the action plan at appendix D to the report itself.
- 4.15 Members may recall that the interim draft audit findings were reported to the Committee on 22 November 2023.

## **5. Financial, legal, equalities, climate emergency and other implications**

### 5.1 Financial implications

The financial implications are contained in the report.

### 5.2 Legal implications

There are no direct legal implications arising from this report.

Kevin Carter, Head of Law, Ext 37 4197

### 5.3 Equalities implications

There are no direct equalities implications arising from the report. Good corporate governance underpins confidence in public services and should be transparent to all stakeholders. Corporate governance is about the systems, processes, and values by which the Council operates and by which it engages with, and is held accountable to, our communities and stakeholders. Ensuring openness and comprehensive stakeholder engagement is important in effective corporate governance.

Equalities Officer, Surinder Singh, Ext 37 4148

### 5.4 Climate Emergency implications

There are no significant climate emergency implications directly associated directly with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

### 5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

## **6. Background information and other papers:**

- Revenue Budget Monitoring Outturn 2022/23 presented to Overview Select Committee on 13 July 2023
- Capital Budget Monitoring Outturn 2022/23 presented to Overview Select Committee on 13 July 2023
- Draft Statutory Statements of Accounts and Annual Governance Statement 2022/23 presented to Governance & Audit Committee on 19 July 2023
- Finance Update and 2022/23 External Audit Progress report presented to Governance & Audit Committee on 22 November 2023

## **7. Summary of appendices:**

Appendix 1 – Grant Thornton – ISA260 Audit Findings for Leicester City Council

Appendix 2 – Annual Statement of Accounts & Annual Governance Statement 2022/23

Appendix 3 – Letter of representation

## **8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?**

No

## **9. Is this a “key decision”? If so, why?**

No