

## STATEMENT OF ACCOUNTS - PROGRESS UPDATE REPORT

Audit Committee - 4 July 2023

**Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading

**Status:** For Consideration

**Key Decision:** No

**Executive Summary:** This report seeks to provide an update on the Financial Statements for 2021/22 and 2022/23.

**This report supports the Key Aim of:** effective management of the Council's resources.

**Portfolio Holder:** Cllr. Kevin Maskell

**Contact Officer:** Alan Mitchell, Ext. 7483

**Recommendation to Audit Committee:**

That members note the report.

### Introduction and Background

- 1 Each year the authority is required to produce Financial Statements (accounts) which provide the reader with detailed information covering the past 12 months and the financial position as at 31 March.
- 2 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 3 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.

- 4 The Accounts and Audit (amendment) Regulations 2022 came into force on 22 July 22 and extended the deadline for the publication of final audited accounts to 30 November for 2021/22 accounts and then 30 September for 2022/23 accounts and the following 5 years. This has resulted in the deadline for publishing unaudited accounts reverting back to 31 May for the 2022/23 accounts.
- 5 Sevenoaks was only 1 of 4 within Kent to meet that 31 May deadline for the 2022/23 accounts (it is estimated that 30-40% of councils achieved the deadline nationally).

### **Current Position of Local Authority Audits - National**

- 6 The National Audit Office (NAO) published a Progress update on the “Timeliness of local auditor reporting on local government in England” on 25 January 2023.
- 7 Within that report it was stated “that local auditors gave opinions on only 12% of local government bodies’ 2021/22 financial statements by the statutory accounts’ publication deadline of 30 November 2022. This compares to 9% of opinions for the previous year (2020/21) received by the earlier deadline of 30 September 2021. This remains a significant reduction compared with the 45% of opinions given in 2019/20 and 97% in 2015/16. As of 30 November 2022, Public Sector Audit Appointments Ltd (PSAA) reported a total of 632 audit opinions were outstanding for all years”.
- 8 There were still 530 audit opinions outstanding at the end of April.
- 9 The government is aware of the national issue and have tasked the Finance Reporting Council (FRC) to lead on finding a solution to remove the backlog and address the issues going forward. Other parties involved in these discussions are the treasurers’ societies (including the Society of District Council Treasurers), the audit firms (including Grant Thornton), the National Audit Office and government departments. A proposal is due to be announced shortly.

### **Current Position of Sevenoaks District Council Audits**

- 10 Due to a number of technical issues requiring a significant amount of discussion with our external Auditors (Grant Thornton) the 2020/21 accounts were delayed and a clean audit opinion was not received until 11 May 2023. This in turn delayed the 2021/22 accounts.
- 11 The draft 2021/22 accounts were published on the council’s website on 11 April 2023. Grant Thornton are expected to commence the audit of these accounts in October 2023.
- 12 The draft 2022/23 accounts were published on our website on 31 May 2023 and no date has yet been set for the audit of these accounts.

13 The Audit Committee has received regular updates on progress.

## **Key Implications**

### Financial

None directly arising from this report.

### Legal Implications and Risk Assessment Statement.

None directly arising from this report.

### Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

#### **Appendices**

None

#### **Background Papers**

None

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**