

Crawley Borough Council

Report to Audit Committee

3 December 2024

Approval of the 2022/23 Statement of Accounts

Report of the Head of Corporate Finance (FIN/677)

1. Purpose

- 1.1. The purpose of this report is to seek member approval of the 2022/23 Statement of Accounts on the basis of the disclaimed audit opinion issued by the Council's external auditor.

2. Recommendation

- 2.1. That the Audit Committee:
 - a) Approve the 2022/23 Statement of Accounts.
 - b) Delegate authority for the Chair of the Audit Committee and the Head of Corporate Finance to sign the Letter of Representation and Statement of Accounts on the basis of a disclaimed opinion as detailed in the 'Completion Report for Those Charged with Governance'.
 - c) Request that the Chief Executive and Leader re-sign the Annual Governance Statement on the basis of a disclaimed opinion as detailed in the 'Completion Report for Those Charged with Governance'.

3. Reasons for the Recommendations

- 3.1. The Chief Finance Officer (Section 151 Officer) retains responsibility for the preparation of the Statement of Accounts and is required to certify that they give a true and fair view of the financial position of the Council for the year ended 31 March 2023.
- 3.2. This Committee has delegated authority to approve the Accounts, however, delegated permission be sought for the Chair of the Audit Committee and the Head of Corporate Finance to sign the Statement of Accounts and Letter of Representation, and the Chief Executive and Leader be requested to re-sign the Annual Governance Statement.
- 3.3. As detailed in the 'Completion Report for Those Charged with Governance' (also on the agenda for this meeting) the external auditors we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements and have, therefore, issued a disclaimed audit opinion.

4. Background

- 4.1. The Accounts and Audit Regulations 2015 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the Statement of Accounts to be approved by a resolution of a committee and for the Chair to sign the accounts.
- 4.2. The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than the backstop date of 13 December 2024.
- 4.3. The backstop date and the wider requirements of the local audit system reset meant the external auditors did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. This is detailed in the 'Completion Report for Those Charged with Governance' also on the agenda for this meeting.
- 4.4. The format and content of the accounts is largely prescribed by regulation and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting (the Code). It is a requirement that the accounts are arranged with all core financial statements grouped together followed by all notes to these statements in a separate section. The supplementary statements, Housing Revenue Account (HRA) and Collection Fund, are grouped separately with their corresponding notes section.
- 4.5. This report comprises:
 - **Letter of Representation** - (Appendix A) the assurances made by management and members to the auditors that all information pertinent to the audit has been made available to them.
 - **Narrative Report** – (Appendix B) commentary on how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies. It also gives a brief explanation of the financial statements.
 - **Statement of Accounts** – (Appendix C) contains the financial statements and disclosure notes.

5. Going Concern Report

- 5.1. International Audit Standards require the Audit Committee to provide confirmation that the 2022/23 Statement of Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.
- 5.2. The main issues around the application of the 'going concern' concept are to consider the medium-term financial plans and cash flow forecasts in existence to ensure the continuing operation of the Council. CIPFA has issued specific guidance on how local authorities should report their going concern statement. Whilst this guidance confirms that local authorities cannot cease to be a going concern, or be liquidated or cease to operate, it suggests areas that should be reported to give assurance to the Council about the organisation's current and future financial position.

- 5.3. An All-Member Finance Seminar was held on 30 October 2024 to brief Members on the Budget strategy 2025/26 to 2027/28. The Strategy detailed the scale of savings required and the uncertainty that the Council is facing over funding and that, therefore, a different approach to reducing net expenditure is required. The Budget Strategy 2025/26 – 2027/28 FIN/673 was reported to Cabinet on 27 November 2024.
- 5.4. Budget monitoring will continue to be undertaken regularly with monthly monitoring introduced for key service areas. The Council’s cashflow projections through to March 2025 show the Council has sufficient cash for its services throughout the medium term. The Council is also able to borrow short term for revenue purposes, though it is not expected for this to be necessary.
- 5.5. The Council concludes that it is appropriate to prepare the financial statements on a going concern basis and that no material impact exists relating to the Council’s ability to continue to provide its statutory services based on the review of the forecasted reserve and cash position 12 months from the date of approval of the financial statements.

6. Annual Governance Statement (AGS)

- 6.1. The Accounts and Audit Regulations 2015 establish requirements relating to systems of internal control, and the review and reporting of those systems. Internal control and risk management are recognised as important elements of good corporate governance. This is demonstrated in the AGS which acts as an accountability statement to show how well the Council has delivered on governance over the course of the year.
- 6.2. The Council is required to produce an AGS in line with guidance contained in the CIPFA/SOLACE document “Delivering Good Governance in Local Government”.
- 6.3. The Annual Governance Statement for 2022/23 was considered and endorsed by the Audit Committee at its meeting held on [5 September 2023](#).
- 6.4. Under the Accounts and Audit Regulations, publication of the AGS follows the same timetable as the financial statements. As a result, the AGS for 2022/23 is also subject to delay for final sign off due to the audit backlog and remains subject to final review up to the publication of the financial statements. However, there are no changes to report in the period from the date of the AGS up to the approval of the financial statements.

7. Background Papers

[Financial Outturn 2022/2023 Budget Monitoring Quarter 4](#)

[Budget Strategy 2025/26 - 2027/28](#)

[Approval of the Annual Governance Statement 2022/2023](#) LDS/205

The Accounts and Audit Regulations 2015

The Accounts and Audit (Amendment) Regulations 2024

CIPFA Code of Practice on Local Authority Accounting in the UK 2022/2023

CIPFA “Understanding Local Authority Financial Statements”

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