

Audit Committee

27 November 2023

**Statement of Accounts for the year
ended 31 March 2023**

Ordinary Decision



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To present the council's statement of accounts for the financial year ended 31 March 2023.

Executive Summary

- 2 In accordance with statutory deadlines, the draft (unaudited) statement of accounts for Durham County Council and its Pension Fund for the financial year ended 31 March 2023 was authorised by the Responsible Financial Officer on 31 May 2023 and published on the council's website the same day.
- 3 The unaudited accounts were presented to Members of the Audit Committee on 30 June 2023.
- 4 The approval process sets out the statutory requirement that on or before 30 September 2023, approval needs to be given to the statement of accounts by resolution of the council's Audit Committee. This approval takes account of the views of the external auditor.
- 5 External Audit opinion had not been received by this date and a notice publication was issued stating that the statement of accounts has not been issued, providing the reason this had not been possible.
- 6 In accordance with statute, the statement of accounts must be published as soon as reasonably practicable after the receipt of the report of the auditor's findings.

- 7 The external audit work is substantially complete and there are no matters which would require modification of the expected unqualified opinion. The final Audit Completion Reports are presented to Members at this meeting by the External Auditor.
- 8 A number of amendments to the statements have been identified and documented within the Audit Completion Reports and these have now been included in the statements of accounts presented today for committee approval.
- 9 The opinion on the financial statements of the council and the pension fund is presented at the meeting today identifies that there are no significant weaknesses in relation to the arrangements that the council has in place to secure economy, efficiency and effectiveness in its use of resources.
- 10 External audit can, however, only formally issue the audit certificate, upon completion of their audit work in relation to the Whole of Government Accounts consolidation pack. Clarification from the National Audit office regarding WGA group instruction is still awaited at this time.

Recommendation

- 11 It is recommended that Members of the Audit Committee approve the audited statement of accounts for the council, for the financial year ended 31 March 2023 including the pension fund financial statements.

Background

- 12 The Accounts and Audit (Amendment) Regulations 2022, Accounts and Audit (Amendment) Regulations 2022, which stipulate a two-stage approval process for the statement of accounts, have reinstated the pre covid statutory deadlines for local authorities in respect of the 2022/23 statement of accounts.
- 13 The first statutory deadline requires that the responsible financial officer, by no later than 31 May, should sign and certify that the statement of accounts presents a true and fair view of:
 - (a) the financial position of the council for the year to 31 March previous, and
 - (b) its expenditure and income for the year to 31 March previous, subject to the views of the external auditor.
- 14 The second stage identifies that on or before 30 September approval needs to be given to the audited statement of accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take account of the views of the external auditor. This is done in order that the statement of accounts can then be formally published on the council's website.
- 15 The first stage was completed on 31 May 2023 and the draft accounts were presented to Members of the Audit Committee on 30 June 2023.
- 16 The external auditor has substantially completed the audit of the statement of accounts. The final Audit Completion Reports are presented by the External Auditor to the Committee today.
- 17 During the audit, working in collaboration with the auditor, a number of amendments were identified which have been included in the updated statement of accounts and the Audit Completion Reports presented today.

Statement of Accounts

- 18 The statement of accounts for the financial year 2022/23 has been prepared in accordance with the 'Accounts and Audit Regulations 2003', as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the 'Accounts and Audit (England) Regulations 2015, the Accounts and Audit (Amendment) Regulations 2022 and the 'Code of Practice on Local Authority

Accounting 2022/23 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 19 The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 20 During the audit review of the draft statement of accounts, a number of 'misstatements' were identified which have since been amended. These are listed in Section 6 of the Audit Completion Report presented to and considered by Members earlier in the meeting.
- 21 In addition, a number of changes have been made to the notes to the financial statements to assist the reader's understanding of the document, to correct errors and ensure compliance with the requirements of the Code.
- 22 There was a number of 'non-material misstatements' identified which remain unadjusted. These are also listed in Section 6 of the Audit Completion Report. As the unadjusted misstatements do not materially affect the accuracy/ integrity of the statement of accounts, no adjustments have been made for these items.
- 23 A separate Audit Completion Report has been provided for the Pension Fund. There was a number of 'misstatements' identified during the audit. These are listed in Section 6 of the Audit Completion Report for the Pension Fund considered by Members earlier in the meeting.
- 24 To help Members in reading and interpreting the statement of accounts contents, Appendix 2 to this report briefly explains the purpose of each section of the statement.

Audit Opinion

- 25 On completion of the audit of the accounts, auditors must give their opinion on the financial statements of Durham County Council and the Pension Fund, including:
 - a) whether they give a true and fair view of the financial position of the council and the Pension Fund and their expenditure and income for the year in question; and

- b) whether they have been prepared properly in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.
- 26 The auditor can issue a 'qualified opinion' where he has some reservations or concerns, or an 'unqualified opinion' where he does not have any such reservations.
- 27 In addition, the auditor is required to consider whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office issues guidance to auditors that underpins the work they are required to carry out and sets out the reporting criteria to be considered. The criteria is:
- a) Financial sustainability – how the council plans and manages its resources to ensure it can continue to deliver its services;
 - b) Governance - how the council ensures that it makes informed decisions and properly manages its risks; and
 - c) Improving economy, efficiency and effectiveness - how the council uses information about its costs and performance to improve the way it manages and delivers its services.
- 28 The external audit review of the 2022/23 statements is substantially complete and there are no matters, currently which would require modification of the audit opinion.
- 29 External Audit opinion is presented to Members today.
- 30 External Audit can only formally conclude the audit and issue an audit certificate upon the completion of their audit work on the Whole of Government Accounts (WGA) consolidation pack. Clarification from the National Audit Office regarding WGA group instructions are still awaited at the time of writing.

Appendix 1: Implications

Legal Implications

Compliance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2022/23 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

Finance

This report details the financial position of the council as at 31 March 2023.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

None.

Procurement

None.

Appendix 2: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Narrative Report	5-34	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Statement of Responsibilities for the Statement of Accounts	35-36	Sets out the responsibilities of the council and the Corporate Director of Resources for the statement of accounts.
Independent Auditor's Report to Durham County Council	37-41	Auditors report will be inserted following Audit Committee meeting
Durham County Council Core Financial Statements		
Comprehensive Income and Expenditure Statement (CIES)	42	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement	43	This statement shows the movement in the year on the different reserves held by the council analysed into 'usable' reserves and other reserves.
Balance Sheet	44	The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.
Cash Flow Statement	45	The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Item	Pages	Explanation of Purpose and Content
Notes to the Core Financial Statements	46 - 152	The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.
Collection Fund	153 -159	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Independent Auditor's Report to DCC Pension Fund	160 - 164	Auditors report will be inserted following Audit Committee meeting
Durham County Council Pension Fund Accounts	165 – 207	Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March. Notes providing further information follow the accounts.
Annual Governance Statement	208 - 240	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the council.
Glossary of Terms used in the Accounts	243 - 258	To assist readers in understanding terminology used in the statement of accounts.