



## ADUR & WORTHING COUNCILS

Joint Audit and Governance Committee  
26th September 2023

Key Decision [Yes/No]

Ward(s) Affected:All

### **Statement of Accounts 2021/22 for Adur District Council and Worthing Borough Council - Members Update**

#### **Report by the Director for Digital, Sustainability and Resources**

#### **Executive Summary**

##### **1. Purpose**

- 1.1 The audit of Worthing Borough Council's 2021/22 Statements of Accounts is complete and the financial statements have been adjusted in respect of the known External Auditor's findings with unadjusted judgemental differences set out in the table contained in the Letter of Representation at appendix 1. The final audited 2021/22 statements of accounts and Letter of Representation have been signed by the Worthing Borough Council Chair with delegation approved by the Joint Audit and Governance Committee at the meeting on 23rd March 2023.
- 1.2 The audit of Adur District Council's 2021/22 Statements of Accounts are substantially complete. The 2021/22 financial statements have been adjusted in respect of the known External Auditor's findings and any unadjusted differences are set out in section 4 of the Audit Results Reports. The Adur District Council Chair will, under their delegation from the Joint Audit and Governance committee, approve the final version of the accounts and Letter of Representation once the audit has been completed.

1.3 The Auditors Annual Reports, elsewhere on this agenda, summarise the audit findings and the Value for Money commentary.

1.4 The following appendices have been attached to this report:

- (i) **Appendix 1** - Worthing Borough Council - Letter of Representation as approved by the Worthing Borough Council Chair of the Joint Audit and Governance Committee

## 2. Recommendations

2.1 The Joint Governance Committee is recommended to note:

- The completion of the 2021/22 audit for Worthing Borough Council and the approval by the Worthing Borough Council Chair of the Joint Audit and Governance committee of the 2021/22 Statement of Accounts and Letter of Representation.
- The progress and near completion of the Audit of the 2021/22 Adur District Council Statement of Accounts.
- The Adur Chair of the Joint Audit and Governance committee will approve the 2021/22 Adur District Council Statement of Accounts and Letter of Representation with their delegation approved by the committee in March 2023.

## 3. Context

3.1 The Accounts and Audit Regulations 2015, section 8 sets out the requirements of signing, approval and publication of the statement of accounts for 2021/22.

3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the 2021/22 draft accounts be certified by the 31st July 2022.

3.3 In accordance with section 9, the CFO has also re-certified on behalf of that authority that they are satisfied that the statement of accounts following the audit presents a true and fair view of the financial position of the Councils at

the end of the financial year; and the Councils' income and expenditure for that year.

- 3.4 The audit of the Worthing Borough Council 2021/22 statement of accounts has now been completed and an unqualified opinion issued. The Annual Audit Report elsewhere on this agenda provides a summary of the audit findings and Value for Money commentary. The final version of the accounts and the Letter of Representation were approved by the Worthing Borough Council Chair of this committee under delegation approved by the Joint Audit and Governance committee at its meeting on 23rd March 2023. The accounts are available on the council website: [Worthing Borough Council Statement of Accounts 2021/22](#) and the Letter of Representation is included as appendix 1 to this report.
- 3.5 The audit of the Adur District Council 2021/22 Statement of Accounts is near completion and the Annual Audit report included on this committee agenda provides a summary of the audit findings and Value for Money commentary.
- 3.6 The Annual Results Report for Adur District Council, also on this committee agenda, sets out in section 3 that the auditors opinion of the councils financial statements give a true and fair view of the financial position of Adur District Council as at 31 March 2022, and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets).
- 3.7 It also references that, in the Audit Plan, the auditor reported that the council's value for money (VFM) risk assessment was in progress but at that stage had not identified any risk of significant weakness against the three reporting criteria they are required to consider under the NAO's 2020 Code. In July 2023 they reported to the Joint Audit and Governance Committee the VFM risk assessment had not concluded and reported they had not identified a risk of significant weakness. Subsequently, they have considered the Council's self-referral to the Regulator of Social Housing in February 2023 and, following further investigation, concluded that there were weaknesses in the Council's proper arrangements for 2021/22, specifically in relation to the criterion "how the Council evaluates the services it provides to assess performance and identify areas for improvement". Therefore the auditor is reporting by exception on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the criterion: How the body evaluates the services it provides to assess performance and identify areas for improvement.

#### **4. Financial Implications**

- 4.1 The report that was presented to the Joint Audit and Governance committee on 23rd March 2023 advised members that there was, at that time, some outstanding audit work relating to the valuation of property assets which has

now been completed. In addition it was advised that in the event that the audit went beyond 31st March 2023 there would be additional work associated with the IAS19 pension valuations, as the triennial review to 31st March 2022 would be published and accounting regulations state that the net defined benefit liability recorded in the accounts must not materially differ from the amounts that would be determined at the end of the reporting period. The audit did not complete before the end of March 2023 which required the councils to commission revised reports from the actuaries using the new triennial information. This additional work together with limited resource issues both for the council and Ernst & Young has resulted in the audits not being completed in the timeframe that was expected and previously reported to the committee.

4.2 In Adur there was a review of the depreciation charge associated with council dwellings. The result, having discussed with the Council appointed valuer and agreed with the auditor, was the following changes to the depreciation calculation:

- 1) The residual value proportion of the overall Existing Use Value for Social Housing (EUV - SH) valuation was increased from 30% to 40%. This is a matter for professional judgement and given the scarcity of land within the South East of England, we believe that this is appropriate;
- 2) Institution of a de minimis value of £10,000 for componentisation. This is in line with other policies regarding the capital programme where we do not normally capitalise individual items of less than £10,000. Where components are less than £10,000 in value we will depreciate them with the main structure.

Housing assets are revalued at the year end, therefore there were no implications for the accumulated depreciation reserve as the in-year amounts are written out to the revaluation reserve. Consequently there is no change to the balance sheet value.

4.3 The outcome of the work set out in 4.1 and 4.2 has required adjustments to the 2021/22 accounts that were presented to the committee in March 2023. A summary of the adjustments to the statements is set out in the table below:

**Adur**

| Adjustments:        | Comprehensive Income and Expenditure Account | Movement in Reserves Statement | Balance Sheet Net Assets | Balance Sheet Unusable Reserves |
|---------------------|--|--------------------------------|--------------------------|---------------------------------|
| Pension Adjustments | (£0.953m)                                    | £0.953m                        | £0.953m                  | (£0.953m)                       |

## Worthing

| Adjustments:                 | Comprehensive Income and Expenditure Account | Movement in Reserves Statement | Balance Sheet Net Assets | Balance Sheet Unusable Reserves |
|------------------------------|--|--------------------------------|--------------------------|---------------------------------|
| Valuation of Property Assets | £1.103m                                      | (£1.103m)                      | (£1.103m)                | £1.103m                         |
| Pension Adjustments          | (£4.501m)                                    | £4.501m                        | £4.501m                  | (£4.501m)                       |

4.4 The adjustments set out above had no impact on the final outturn positions of either Worthing Borough or Adur District Council.

## 5. Legal Implications

5.1 The 2015 Accounts and Audit Regulations set out requirements in relation to internal control, the exercise of public rights in relation to the accounts and rules for the preparation, approval and publication of the statement of accounts.

5.2 The two sets of Statements of Accounts have been prepared in accordance with statutory instrument number 234 (2015), the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, based on International Financial Reporting Standards (IFRS).

5.3 Part 3 of The Accounts and Audit Regulation 2015, sets out the process for signing, approval and publication of the annual Statement of Accounts for 2021/22. The formal approval of the accounts enables the Councils to comply with the Account and Audit Regulations 2015.

5.4 Part 5 of the 2015 Regulations sets out the "inspection and notice procedure". As required by the regulations Adur District Council and Worthing Borough Council gave notice by on the respective websites of the matters set out in paragraph (2), regulation 15 of the 2015 regulations.

Legal Officer: Joanne Lee

Date:xxxxx

## Background Papers

**Statement of Accounts 2021/22 for Adur District Council and Worthing  
Borough Council** - Joint Audit and Governance Committee 23rd March 2023

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## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

The External Auditor's reports are publicly available documents and as such, the findings in the report have an impact on the Councils' reputations with regard to financial Governance.