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| Audit and Governance Committee | | Agenda Item |
| 07 July 2023 | | 9 |
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| Title: | Draft Statement of Accounts and Annual Governance Statement 2022/23 | |
| Report of: | Nick Bell | |
| Public Report: | Yes | |
| Key Decision: | No | |
| Voting Arrangements: | N/A | |

| Recommendations: | |
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| A | Note the draft Annual Governance Statement 2022/23 |
| B | Note the draft of the Statement of Accounts 2022/23 |

| Strategic Objective(s): | |
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| The proposals within this report fit under the following strategic objective(s): | |
| X | Delivering Best Value and High Performance |
| Delivering timely draft accounts enables the Combined Authority's stakeholders, from Members to the public to our Auditors, to hold us to account and for us to deliver on our commitment to being a transparent and accountable organisation. | |

| 1. Purpose | |
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| 1.1 | The purpose of the report is for the Audit and Governance Committee to note the draft Annual Governance Statement and Statement of Accounts for the 2022/23 financial year |

| 2. Proposal | |
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| 2.1 | The Audit and Governance Committee's terms of reference include the responsibility to review the Annual Governance Statement and approve the final statement of accounts. While the Committee is not required to approve the draft statements the audit of the 2022/23 accounts will not be taking place until November at the earliest so providing them an opportunity to review the drafts allows for more timely discussion and feedback. |

| 3. Background | |
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| 3.1 | The draft Statement of Accounts, together with the draft Narrative Report and draft Annual Governance Statement are required to be signed by the Chief Finance Officer |

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| | and published in draft form on the Combined Authority's website together with the notice of the exercise of public rights. |
| 3.2 | The draft accounts are then subject to external audit before the Audit and Governance Committee review and sign off the final accounts following the audit. |
| 3.3 | <p>Nationally, the timeline for delivering local government audits has slipped significantly and the Combined Authority's auditors have informed us that the 2022-23 accounts will not be audited by the 30th September 2023 deadline set by the Accounts and Audits (amendment) regulations 2022.</p> <p>The delay to audits is a national issue, and central government is working with CIPFA and the audit firms to try to identify remedies. As such the Combined Authority will be one of many Local Authorities which will not have their accounts audited ahead of the end of September.</p> |
| 3.4 | Despite significant pressures on the Combined Authority's finance function arising from the need to respond to queries relating to the delayed 2021-22 audit at the same time as preparing the 2022-23 draft accounts, the 2022-23 draft accounts are being published at the start of July, a significant improvement on the 2021-22 accounts which were not published until the 30 th November 2022. |
| 3.5 | <p>2022-23 was a year of significant challenges for the Combined Authority, with a letter from its external auditors (EY) expressing that it had observed significant governance weaknesses followed by a non-statutory best value notice from the Department for Levelling Up, Homes & Communities. The Combined Authority reacted swiftly and has been addressed the identified weaknesses through its ongoing improvement plan.</p> <p>The Annual Governance Statement is there both to provide a report on the governance framework in place during the year, and also to identify areas which will be a focus of improvement work for the current and future years. As 2022-23 was a year of significant challenges for the Combined Authority, with a letter from its external auditors (EY) expressing that it had observed significant governance weaknesses followed by a non-statutory best value notice from the Department for Levelling Up, Homes & Communities, the draft 2022-23 statement reflects these events, the progress made to-date through the improvement plan, and the next steps which the Combined Authority will be taking in 23-24 to continue to deliver on those plans and address the areas highlighted in the best-value notice.</p> |
| 3.6 | The accounts included as appendix 2 to this paper do not include the group accounts, which consolidate the Combined Authority's subsidiary companies, and the investment balances have not been updated for the movements in the Combined Authority's investments in its subsidiaries which will be included in the draft accounts published on the Combined Authority's website later in July. |
| 3.7 | The reason for this is that, while the fieldwork for the valuations of the building completed by the two property development companies – those for ARU Peterborough Phase 1 and the co-located Research and Development building – have been undertaken, the reports have not yet been completed and it is expected that the value of the buildings will drop significantly meaning any included group accounts would have been materially inaccurate. |

4. Appendices

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| 4.1 | Appendix 1 – Draft annual governance statement 2022-23 |
| 4.2 | Appendix 2 – Draft statement of accounts 2022-23 |

5. Implications

Financial Implications

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| 5.1 | As the audit plan for the 22-23 audit has not yet been proposed by EY there is no forecast level of the audit fee. While the scale fee (a base price) is £50k, the low materiality threshold and additional attention required due to the Value for Money concerns raised earlier in the year, means it's very likely that the 22-23 audit costs will exceed those of the 21-22 audit which have been estimated at £118k. |
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| Legal Implications | |
| 6.1 | There are no direct legal implications, and there are no sanctions on local authorities for having their accounts audited late. |
| Public Health Implications | |
| 7.1 | There are no direct public health implications |
| Environmental & Climate Change Implications | |
| 8.1 | There are no direct climate change implications. |
| Other Significant Implications | |
| 9.1 | There are no other significant implications |
| Background Papers | |
| 10.1 | The Accounts and Audit (Amendment) Regulations 2022 |