

ORIGINATOR: CC CFO / PCC CFO

PAPER NO: AC25/02

SUBMITTED TO: AUDIT COMMITTEE, 4 FEBRUARY 2025

SUBJECT: STATEMENT OF ACCOUNTS 2023/24

SUMMARY:

1. The following documents have been submitted to the Audit Committee for consideration in advance of the approval of both the Police and Crime Commissioner's (PCC) and Chief Constable's (CC) 2023/24 Statements of Accounts and Annual Governance Statements:
 - a. Ernst & Young's Suffolk Police Completion Report for the year ended 31 March 2024
 - b. PCC's Letter of Representation 2023/24
 - c. CC's Letter of Representation 2023/24
 - d. PCC's Annual Governance Statement 2023/24
 - e. CC's Annual Governance Statement 2023/24
 - f. PCC's Group and PCC Statement of Accounts 2023/24
 - g. CC's Statement of Accounts 2023/24
2. Both Annual Governance Statements and Statements of Account remain the subject of audit and may be amended to take account of any comments or adjustments recommended by the external auditors and Audit Committee Members.

RECOMMENDATION:

1. The Committee is recommended to consider the Police and Crime Commissioner's and Chief Constable's Annual Governance Statements and their respective Statements of Accounts.
2. Subject to the process described in section 4 of this report, the Committee is invited to recommend the Statements of Accounts and adoption of the Annual Governance Statements for approval by the Police and Crime Commissioner and Chief Constable.

DETAIL OF THE SUBMISSION

1. BACKGROUND

- 1.1 Under the Police Reform and Social Responsibility Act 2011 the Police and Crime Commissioner (PCC) and Chief Constable (CC) are defined as corporate entities (as Corporations Sole). These corporate entities have also been established as Schedule 2 (Accounts Subject to Audit) bodies under the Audit Commission Act 1998.
- 1.2 The Accounts and Audit (England) Regulations 2015 require authorities to follow 'proper practices in relation to accounts' for the preparation of the Statement of Accounts. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) constitutes 'proper accounting practice' in England and Wales under the terms of Section 21(2) of the Local Government Act 2003. PCCs and CCs in England and Wales are defined as local authorities under Section 23 (as amended by the Police Reform and Social Responsibility Act 2011) and are required to follow the Code.
- 1.3 In recent years, the number of local authorities who have not been able to publish audited accounts by the deadlines set within the Accounts and Audit Regulations 2015 has grown to unprecedented levels, with just 1% of local bodies publishing audited accounts on time for the 2022/23 financial year. There are several widely reported reasons for the breakdown in the local audit market, of which include a lack of capacity within audit firms who have public sector experience; increasing complexity of reporting requirements within the sector; and increased regulatory pressures on auditors. There is general agreement across the sector that the levels are unacceptable and that for financial reporting to be more meaningful to users of the accounts, it needs to be timely.
- 1.4 To address the backlog, in September 2024 the Government laid in Parliament a Statutory Instrument, "The Accounts and Audit (Amendment) Regulations 2024", which introduced a series of backstop dates by which local authorities must have published audited accounts. The first backstop date was the 13 December 2024, by which time local authorities needed to have published their audited accounts up to and including the financial year 2022/23.
- 1.5 The external auditors, Ernst & Young, were unable to schedule an audit for the year 2022/23 in time for the backstop deadline of 13 December 2024 and were resultantly unable to obtain sufficient evidence to conclude on whether the 2022/23 financial statements were materially misstated. As a result, the Group, PCC and Chief Constable Accounts for 2022/23 received a disclaimed audit opinion on 5th December 2024. This was the case for many local authorities and auditors have reported issuing 361 disclaimed opinions ahead of the 2022/23 backstop deadline of 13 December 2024.
- 1.6 An auditor may "disclaim" an opinion if it is concluded that they have been unable to obtain sufficient, appropriate audit evidence on which to base an opinion and that the possible effects of undetected misstatements *could* be both material and pervasive. This is distinct from a "qualified" opinion in which the auditor may conclude they have been unable to have been unable to obtain sufficient, appropriate audit evidence for a specific set of balances and therefore their opinion is limited; or an "adverse" opinion in which the auditor has concluded on the basis of sufficient and appropriate evidence that material and pervasive misstatements exist.

- 1.7 The next backstop date, by which time local authorities need to have published their audited accounts for the financial year 2023/24, is 28 February 2025. Whilst significant audit work has been carried out on the financial statements for the year ending 31 March 2024, due to the disclaimed audit opinion for the 2022/23 financial statements, the auditors have limited assurance over the opening balances included within the 2023/24 accounts. The audit opinion received for the year ending 31 March 2024 will also be disclaimed, because the auditor has been unable to obtain sufficient, appropriate audit evidence over the opening balances and it is therefore *possible* that these contain undetected misstatements which *could* be both material and pervasive. Management believes this to be unlikely for the reasons below.

2. STATEMENTS OF ACCOUNTS

- 2.1 Whilst the Statements of Accounts have not received a full audit opinion for the financial year 2023/24, at the time that both the 2022/23 and 2023/24 accounts were prepared there was an expectation that full audits for both years would be conducted.
- 2.2 For both years, the draft accounts were prepared in the same way as any other year and a closedown timetable was drawn up and adhered to, listing out the key tasks, responsibilities, and deadlines of those involved in financial reporting. There were no significant changes to accounting policies between 2021/22 (in which a full, unqualified audit opinion was received), 2022/23 and 2023/24.
- 2.3 The financial reporting team consisted of longstanding members of staff who were familiar with the processes at Suffolk Police and who are experienced in local authority accounts production, with the external auditors having previously noted high quality draft accounts production with few audit differences. In addition, for the significant audit work that has been carried out for 2023/24, very few audit differences have been identified or issues raised.
- 2.4 Prior to their publication the draft accounts underwent several cycles of review including that of the s151 Officers.
- 2.5 The Head of Internal Audit Opinion for both 2022/23 and 2023/24 was satisfied that for the areas of review during the year, including Key Financial Controls, reasonable and effective risk management, control, and governance processes were in place.
- 2.6 As noted in the Statement of Chief Finance Officer Responsibilities on page 1 of the Statement of Accounts, proper accounting records have been kept and reasonable steps have been taken for the prevention and detection of fraud.

Sections of note:

Narrative Report:

- 2.7 The Narrative Report provides information about the Office of the Police and Crime Commissioner for Suffolk, and Suffolk Constabulary (together being the PCC Group), including the key issues affecting the Group and its accounts. It also provides a summary of the financial position at 31 March 2024, and is structured as below:

1. Policing context
2. Governance
3. Risks
4. Non-financial performance 2023/24
5. Financial performance 2023/24
6. Outlook
7. Basis of preparation

Notes to the accounts:

- 2.8 Note 3 in the Group/ PCC and CC accounts on Critical Judgements sets out those judgements that influenced the content of the accounts, including why transactions have been shown within the CC accounts, and how assets have been accounted for.
- 2.9 Note 6 in the Group/ PCC accounts and note 5 in the CC accounts provides additional information to support disclosures within the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis. They include an analysis of the adjustments between the Accounting and the Statutory basis and a subjective analysis of the Deficit on the Provision of Services.
- 2.10 Note 30 in the Group/PCC accounts and note 17 in the CC accounts provides an explanation of the going concern basis.
- 2.11 Note 16 to the Group and PCC accounts and Note 13 to the CC accounts relate to pension disclosures. Primarily the notes provide detail of actuarial evaluations carried out in accordance with IAS 19.
- 2.12 There are a relatively small number of rounding differences within the Statement of Accounts, which are unavoidable, and do not detract from the accuracy of the figures.

3. PCC AND CC ANNUAL GOVERNANCE STATEMENTS

- 3.1 Both the PCC and the CC Annual Governance Statements were published in draft on 31 May 2024. They remain the subject of audit and may be amended to take account of observations and comments made by the external auditors.
- 3.2 Attached is an updated PCC AGS for consideration by the Audit Committee in advance of its adoption by the PCC and approval of the PCC's Statement of Accounts.
- 3.3 Also attached is an updated CC AGS for consideration by the Audit Committee in advance of its adoption by the CC, and approval of the CC's Statement of Accounts.
- 3.4 The Annual Governance Statements are accountability statements focusing on the governance arrangements within the year to which they relate. There has not been a mandated approach as to whether AGS' should include any comment on disclaimed external audit opinions and management are not aware of any requirement to do so. The disclaimed audit opinion for 2023/24 is a product of a breakdown in the local audit market as opposed to any governance weaknesses in either the PCC or CC bodies. Therefore, as the reasoning and impact of the disclaimed audit opinion has been publicly reported in the Audit Completion Report, management have taken the decision not to include any comment on the disclaimed audit opinion within the AGS' themselves.

4. PROCESS FOR AUTHORISATION OF THE ACCOUNTS FOR ISSUE BY THE PCC AND CHIEF CONSTABLE

4.1 Unless any material changes are required by the external auditors as a result of their final work:

- Subject to approval by the PCC, the Statement of Accounts of the PCC will become the approved accounts, and together with the Annual Governance Statement, will be published on the PCC website, and
- Subject to approval by the CC, the Statement of Accounts of the CC will become the approved accounts, and together with the Annual Governance Statement, will be published on the Constabulary website.

4.2 Publication on the PCC and Constabulary websites will take place as soon as practically possible following authorisation of the accounts for issue.

4.3 In the event that the Annual Governance Statements or Statements of Account require further amendment, it is recommended that the PCC CFO and CC CFO authorise the amendments as necessary and inform the Audit Committee of the amendments made.

5. FINANCIAL IMPLICATIONS

5.1 There are no financial implications of any significance arising from consideration of this paper.

6. OTHER IMPLICATIONS AND RISKS

6.1 There are no other implications or risks associated with consideration of this paper.