

Part A

Report to: **Audit Committee**

Date of meeting: **Thursday, 9 March 2023**

Report author: **Head of Finance**

Title: **Statement of Accounts Update**

1.0 Summary

1.1 This report sets out the latest position for the external audit of the Statement of Accounts for 2020/21 and 2021/22 and the timetable for the 2022/23 Statement of Accounts.

2.0 Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
The Council's Statement of Accounts are not approved and audited within the statutory timeframe	Failure to comply with statutory timeline impacts on audit opinion	Proactive liaison with the external audit team	Tolerate	4
Changes to accounting policies are not properly reflected in the Statement of Accounts	Material mis-statement or qualification	Review accounting policies annually. Maintain awareness of future changes	Treat	4

Changes to accounting policies have an impact on the revenue budget or capital programme.	Impact on reserves, especially where not identified at budget setting.	Maintain awareness of future changes	Tolerate	6
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3.0 Recommendations

- 3.1 To note the latest timetable for completion of the external audit of the statement of accounts for 2020/21, 2021/22.
- 3.2 To note the timetable for the 2022/23 Draft Statement of Accounts and Annual Governance Statement.
- 3.3 To ratify the Accounting Policies for 2022/23 as approved by the Director of Finance as set out in Appendix 1.

Further information:

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Report approved by:

Alison Scott, Shared Director of Finance

4.0 Detailed proposal

4.1 Statement of Accounts 2020/21

- 4.1.1 Progress towards concluding the audit has been slower than expected as a result of the complexity of amendments brought forward from the 2019/20 audit. In updating the brought forward balances in the 2020/21 accounts, the accounting team are ensuring that the accounting ledger is fully updated and reconciled to the final version of the 2020/21 accounts. The external auditors also require a full reconciliation between the original closing balances in the draft accounts and the final closing balances. Preparing these additional working papers will provide additional assurance over the values in the accounts but is time consuming.
- 4.1.2 The audit is now expected to conclude by the end of April with signing of the accounts in May. An update from the external auditors, Ernst and Young (EY) is elsewhere on the agenda.

4.2 Statement of Accounts 2021/22

- 4.2.1 The draft Statement of Accounts 2021/22 was authorised for issue by the Director of Finance and [published on the Council's website](#) on 31 July 2022 in line with the statutory timeframe. The period of public inspection ran from 1 August to 12 September 2022.
- 4.2.2 It is anticipated that the audit of the 2021/22 accounts will commence in July 2023. The gap between the expected conclusion of the 2020/21 audit at the end of April 2023 and the start of the 2021/22 in July is necessary for three reasons. Firstly, there is insufficient external audit resource available during this period due to the local authority audit team working on NHS audits. Secondly, the accounting team will be preparing a revised draft of the 2021/22 accounts, taking in account adjustments agreed in relation to 2019/20 and 2020/21. Thirdly, the accounting team will be preparing draft 2022/23 accounts in line with the timetable set out below.
- 4.2.3 The audit duration is expected to return to the standard period of four to six weeks, reflecting the fact that the impact of the 2019/20 adjustments will already be fully accounted for in the ledger, reducing the need for manual adjustments and additional audit work.

4.3 Statement of Accounts 2022/23

- 4.3.1 The extensions to the statutory timetable which were agreed for the 2020/21 and 2021/22 accounts have not been extended to 2022/23. This means that the timetable reverts to that set out in the Accounts and Audit Regulations 2015. This requires that draft statement of accounts to be authorised for issue by the 31 May 2023, the 30 day period for the exercise of public rights to commence by 1 June 2023 and the audited accounts to be published by 31 July 2023. The Annual Governance Statement (AGS) must also be approved by 31 May 2023 and published alongside the draft accounts for the period for the exercise of public rights.
- 4.3.2 It will not be possible to meet the deadline of 31 July for publication of the audited accounts due to the expected timeline for the 2021/22 audit. However, the statutory deadline for publishing the draft accounts and AGS by 31 May 2023 will be met.
- 4.3.3 This timetable will necessitate the Audit Committee meeting in May to approve the AGS and note the draft accounts for 2022/23.
- 4.3.4 This will also provide an opportunity for the Audit Committee to approve the final audited accounts for 2020/21, receive the Auditor's Audit Results Report for 2020/21, and the Draft Audit Plan for the 2021/22 external audit.

- 4.3.5 It is likely that a significant number of Councils will miss the statutory deadline to issue draft accounts and for the publication of final audited accounts for 2022/23. In January 2023, the National Audit Office (NAO) issued a [progress update report](#) on the timeliness of local auditor reporting on local government in England. The statistics quoted in the report are stark, including that only 9% of 2020/21 audits and 12% of 2021/22 audits were completed by the extended statutory deadlines.
- 4.3.6 The Local Government Association (LGA) has issued a response to the report calling on the Government to 'set out a detailed timetable by which it expects to restore timely audited accounts.' The statement also recognised that Councils will be 'under greater pressure' to finalise draft accounts if the deadline reverts to 31 May 2023 as currently proposed by the Department for Levelling Up, Housing and Communities (DLUHC).
- 4.3.7 Following the release of the report, DLUHC issued a survey which closed on 2 March seeking views from the sector on the adverse consequences of retaining the current timetable. The outcome of this is not yet known. If an extension is granted the current timetable will be reviewed.

4.4 **Accounting Policies 2022/23**

- 4.4.1 The Council's Statement of Accounts is prepared in accordance the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Council is required to adopt accounting policies which describe how the Council has interpreted and applied the Code.
- 4.4.2 The Code defines Accounting Policies as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.'
- 4.4.3 The significant accounting policies adopted by the Council are disclosed within note 1 to the Core Financial Statements in the Statement of Accounts, 'Accounting Policies – Single Entity and Group Accounts'.
- 4.4.4 The Code prescribes that 'authorities shall apply the objective, underlying assumption and qualitative characteristics of useful financial information, in the selection and application of accounting policies and estimation techniques.'
- 4.4.5 The Code provides a detailed framework within which accounting policies must be set:
- When the Code specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Code. Those policies need not be applied when the effect of applying them is immaterial.

- Where the Code does not specifically apply to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:
 - a) relevant to the decision-making needs of users, and
 - b) reliable, in that the financial statements:
 - i) represent faithfully the financial position, financial performance and cash flows of the authority
 - ii) reflect the economic substance of transactions, other events and conditions and not merely the legal form
 - iii) are neutral, i.e. free from bias
 - iv) are prudent, and
 - v) are complete in all material respects.
- In making the judgement management shall refer to, and consider the applicability of, the Code requirements dealing with similar and related issues. Management may also consider the most recent pronouncements of standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the requirements of the Code.
- An authority shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless the Code specifically requires or permits different treatment.
- An authority shall change an accounting policy only if the change is required by the Code or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the authority's financial position, financial performance or cash flows.
- Where an authority changes an accounting policy, it shall apply the changes retrospectively unless the Code specifies transitional provisions that shall be followed. A change in accounting policy shall be applied retrospectively by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to so do. Approval of Accounting Policies

4.4.6 The code states that the Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The Chief Finance Officer (Director of Finance) has approved Note 1. Accounting Policies for 2022/23 as set out in Appendix 1. All significant accounting policies have been selected with reference to the Code.

4.4.7 The Council's auditors will review the adopted accounting policies as part of the audit of the statement of accounts. There is also an expectation that the auditors

will be able to evidence that the accounting policies have been approved by the Audit Committee in its capacity as 'Those Charged with Governance'. The Audit Committee is therefore asked to ratify the accounting policies as set out in Appendix 1.

4.4.8 There are no significant changes to the Accounting Policies which have been updated to reflect the latest statutory guidance. This includes updating the definition of Investment Property at paragraph 1.12 to specifically exclude assets held for the purposes of community benefit and economic development and regeneration.

4.5 **Appointment of External Auditors for 2023/24 to 2027/28**

4.5.1 It was reported to the Committee in November that the Public Sector Audit Appointments Limited (PSAA) had proposed Azets Audit Services as the auditor for the Council for 2023/24 to 2027/28. This appointment was confirmed by the PSAA in December 2022.

5.0 **Implications**

5.1 **Financial**

5.1.1 The Shared Director of Finance comments that there are no direct financial implications arising from this report.

5.2 **Legal Issues** (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that there are no direct legal implications arising from this report.

5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

Having had regard to the council's obligations under s149, it is considered that there are no equalities or human rights implications.

5.4 Staffing

5.4.1 There are no staffing implications arising from this report.

5.5 Accommodation

5.5.1 There are no accommodation implications arising from this report.

5.6 Community Safety/Crime and Disorder

5.6.1 There are no community safety/crime and disorder implications arising from this report.

5.7 Sustainability

5.7.1 There are no sustainability implications arising from this report.

Background Papers

Statement of Accounts Update report to Audit Committee 24 November 2022

Appendices

Appendix 1 – Accounting Policies 2022/23