

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 7 September 2022
<b>Subject:</b>	Draft Statement of Accounts 2021/2022		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

**Summary:**

To present the draft unaudited 2021/2022 Statement of Accounts for consideration.

**Recommendation(s):**

The Audit and Governance Committee is asked to:

- (1) Receive and consider the draft 2021/2022 Statement of Accounts and provide feedback to officers on the issues identified; and,
- (2) Note the timetable for the completion of the external audit that will be conducted by Ernst and Young LLP.

**Reasons for the Recommendation(s):**

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts, including the Annual Governance Statement. The Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Accounts for 2021/2022 prior to its publication.

The deadline for publication of the final approved Statement of Accounts is 30 November 2022. However, the regulations allow for a delay in publication where the audit has not yet been completed. This report explains that there may be a delay in completing the audit for 2021/2022.

**Alternative Options Considered and Rejected:** (including any Risk Implications)

None

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

N/A

**(B) Capital Costs**

N/A

**Implications of the Proposals:**

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> None								
<b>Legal Implications:</b> None								
<b>Equality Implications:</b> There are no equality implications.								
<b>Climate Emergency Implications:</b>  The recommendations within this report will <table border="1"><tr><td>Have a positive impact</td><td>N</td></tr><tr><td>Have a neutral impact</td><td>Y</td></tr><tr><td>Have a negative impact</td><td>N</td></tr><tr><td>The Author has undertaken the Climate Emergency training for report authors</td><td>N</td></tr></table> There are no Climate Emergency implications as a result of this report.	Have a positive impact	N	Have a neutral impact	Y	Have a negative impact	N	The Author has undertaken the Climate Emergency training for report authors	N
Have a positive impact	N							
Have a neutral impact	Y							
Have a negative impact	N							
The Author has undertaken the Climate Emergency training for report authors	N							

**Contribution to the Council's Core Purpose:**

Effective Financial Reporting supports each theme of the Councils Core Purpose.

<b><u>Protect the most vulnerable:</u></b> See comment above
<b><u>Facilitate confident and resilient communities:</u></b> See comment above
<b><u>Commission, broker and provide core services:</u></b> See comment above
<b><u>Place – leadership and influencer:</u></b> See comment above
<b><u>Drivers of change and reform:</u></b> See comment above

<b><u>Facilitate sustainable economic prosperity:</u></b> See comment above
<b><u>Greater income for social investment:</u></b> See comment above
<b><u>Cleaner Greener:</u></b> See comment above

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services is the author of this report (FD 6935/22).

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 5135/22).

**(B) External Consultations**

None

**Implementation Date for the Decision**

Immediately following the Committee meeting.

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**Appendices:**

The following appendix is attached to this report:

**Appendix A - Draft Statement of Accounts 2021/2022**

**Background Papers:**

There are no background papers available for inspection.

## **1. Background / Current Position on the Completion of the Audit of the Statement of Accounts 2020/2021 and 2021/2022**

- 1.1 Since 2010/2011 the Audit and Governance Committee has only been required to approve the Statement of Accounts following the completion of the Audit. Since 2017/2018 this has taken place at the special meeting of this Committee in July (approval and publication of the audited Statement of Accounts was required by 31 July).
- 1.2 However, for 2021/2022 the deadline for approving the audited Statement of Accounts has been changed to 30 November (with a deadline of 31 July for the publication of the draft accounts). This was in response to the Redmond Review into the audit of local government which highlighted the fragility of the local audit market. The Government have announced that from 2022/2023 (to 2027/2028) the deadline for approving the audited Statement of Accounts will be 30 September rather than 31 July.
- 1.3 Members will recall that the final Statement of Accounts was presented for approval at this Committee in December 2021. It was noted that the audit had yet to be completed at that time, and that delegated authority was granted to the Chair to approve the final Statement of Accounts for 2021/2022 should any revisions be required. Subsequent to this, and prior to the audit being finalised, an accounting issue was raised nationally relating to the methodology for the valuation of infrastructure assets. CIPFA conducted a consultation on potential changes to the Accounting Code of Practice to resolve the issue, but no definitive response resulted. CIPFA is proposing to undertake a further consultation. The outcome of this process has the potential to require the 2020/2021 accounts to be restated. It is unclear how long this will take but until this is resolved the audit cannot be concluded.
- 1.4 The 2021/2022 Draft Statement of Accounts was due to be published by the 31 July 2022. The 2021/2022 draft Statement of Accounts have been produced using the same methodology for the valuation of infrastructure assets as used in previous years. Therefore, any changes proposed to the valuation methodology will also require the 2021/2022 draft accounts to be restated. It was unclear if the draft accounts could be published given the above issue was still outstanding. It has now considered that the draft accounts can be published, and this took place on 30 August 2022.
- 1.5 The audit of the Statement of Accounts has yet to commence. It should be noted that due to the delays in completing the audit of the 2020/2021 Statement of Accounts, no interim audit was undertaken, which has been possible in previous years. At this time, given that the outstanding accounting issue may not be resolved it is possible that the audit will not be finalised by the end of November 2022. If this is the case, then the special meeting to approve the final audited Statement of Accounts, provisionally scheduled for 23 November 2022, would need to be postponed until such time as the audit is able to be completed.
- 1.6 Although regulations require the publication of the Statement of Accounts for 2020/2021 by 30 November 2022, the same regulations allow for this to be delayed where the audit has yet to be concluded. This delay needs to be

published on our website. The publication of the final Statement of Accounts needs to take place *“as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit”*.

- 1.7 The 2021/2022 draft Statement of Accounts have now been published and are presented to this Committee to allow additional time for consideration in advance of the final, audited, accounts being presented to the Committee. Any changes made following the audit will be highlighted in the accompanying report. It should be noted that in recent years there haven’t been a significant number of changes between the draft version and the final audited version.

## 2 The Content of the Statement of Accounts

- 2.1 The 2021/2022 Statement of Accounts is an important document, which aims to provide clear information about the Authority’s finances for the year and is intended to answer:

- What the Authority’s services cost for the year?
- Where the money comes from to pay for these services?
- What were the Authority’s assets and liabilities at the year-end?

- 2.2 On 4 March 2021, the Council approved a revenue budget for 2021/2022 of £191.974m which included £1.208m relating to the expenditure of Parish Councils.

- 2.3 At that time, it was anticipated that balances for non-school budgets would total £9.984m at 31 March 2022. As a result of an underspend of £2.794m in 2020/2021 the anticipated year-end balances position was revised to £12.778m. The 2021/2022 Budget assumed an increase in general balances of £1.5m as part of a strategy to increase balances and ensure financial resilience.

- 2.4 Overall, actual expenditure for 2021/2022 on General Fund services (excluding Schools’ delegated expenditure) was £2.021m lower than the Base Estimates which has increased General Fund Balances further. The Authority’s Non-School General Fund balances at 31 March 2022 shown in the Draft Statement of Accounts are therefore **£14.799m**.

- 2.5 The Statement of Accounts (attached as an **Appendix**) is also important in: -

- Demonstrating proper stewardship of public monies;
- Providing evidence of the quality and robustness of the Authority’s financial systems and processes;
- Indicating that current financial performance, monitoring and the Medium-Term Financial Plan are integrated processes which will assist the Council in improving its financial standing;
- Providing the key financial information, which will enable future plans and decisions to be made on the basis of known facts and available financial resources; and

- Providing a key line of communication to stakeholders on the Council's current financial performance. The draft Statement of Accounts was available online on Sefton's website from 30 August 2022.

2.6 The Statement of Accounts includes a Narrative Report, which focuses on the most significant matters reported in the document. A brief explanation of each Section is also provided (highlighting what it is intended to show) to aid the understanding of the Accounts.

2.7 For 2021/2022 there have been no significant changes to how the Statement of Accounts are produced or presented.