

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 19 July 2023
Subject:	Statement of Accounts 2020/21, 2021/22 and 2022/23		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

To provide an update on the progress of the audit of the Statement of Accounts for 2020/21 and 2021/22 as well as the production of the Statement of Accounts for 2022/23.

Recommendation(s):

The Audit and Governance Committee is asked to:

- (1) Note the timetable for the completion of the external audit of the Statement of Accounts for 2020/21 and 2021/22 that is being conducted by Ernst and Young LLP; and,
- (2) Note the timetable for the completion and publication of the draft Statement of Accounts for 2022/23 and the external audit of these accounts that is being 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 prior to their publication.

The deadline for publication of the final approved Statement of Accounts for 2020/21 was 30 September 2021, for 2021/22 was 30 November 2022 and for 2022/23 is 30 September 2023. However, the regulations allow for a delay in publication where the audit has not yet been completed. This report explains the current position relating to the completion of the audits for these three years.

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

None

What will it cost and how will it be financed?

(A) Revenue Costs

None

(B) Capital Costs

None

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None	
Legal Implications: None	
Equality Implications: There are no equality implications.	
Impact on Children and Young People: No	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	No

Contribution to the Council's Core Purpose:

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

<u>Protect the most vulnerable:</u> See comment above.
<u>Facilitate confident and resilient communities:</u> See comment above.
<u>Commission, broker and provide core services:</u> See comment above.

<u>Place – leadership and influencer:</u> See comment above.
<u>Drivers of change and reform:</u> See comment above.
<u>Facilitate sustainable economic prosperity:</u> See comment above.
<u>Greater income for social investment:</u> See comment above.
<u>Cleaner Greener:</u> 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 7305/23).

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 5505/23).

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

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Appendices:

There are no appendices to this report.

Background Papers:

There are no background papers available for inspection.

1. Background

- 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. In 2017/2018 approval and publication of the audited Statement of Accounts was required by 31 July (previously 30 September).
- 1.2 However, since 2019/20 the deadlines for approval and publication of the audited Statement of Accounts has been changed a number of times. For 2019/20 the deadline was extended to 30 November 2020 to take into account the impact of COVID19 on the ability of finance teams and external auditors to complete the work required. For 2020/21 the deadline was extended to 30 September 2021 (from the statutory deadline of 31st July) and for 2021/22 was extended to 30 November 2022 (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.
- 1.3 The Government have now implemented legislation that from 2022/2023 (to 2027/2028) the deadline for approving the audited Statement of Accounts will be 30 September rather than 31 July (with a deadline of 31 May for the publication of the draft accounts).
- 1.4 Although regulations require the publication of the Statement of Accounts by specific deadlines, 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”*.

2. Current Position on the Completion of the Audit of the Statement of Accounts 2020/2021

- 2.1 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 2020/2021 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 consultations on potential changes to the Accounting Code of Practice to resolve the issue, and subsequently the Government issued a statutory override, which came into force on 25 December 2022, to allow local authorities to account for the assets in a certain way which resolves the issue and applies until 2024/25.
- 2.2 Unfortunately, whilst this resolved the specific issue, as the audit of the Statement of Accounts for 2020/21 wasn't yet completed any issues arising during the audit of the 2021/22 Statement of Accounts meant further audit work was required on 2020/21, e.g., issues relating to the Local Government Pension Scheme valuation.

2.3 This work is now nearing completion, and the audit of the Statement of Accounts for 2020/21 is expected to be concluded by the end of July 2023. As mentioned, the Chair has delegated authority to approve these accounts. However, any further changes since Audit and Governance Committee last considered the accounts in December 2021 will be reported to the meeting on 6 September 2023.

3. Current Position on the Completion of the Audit of the Statement of Accounts 2021/2022

3.1 The 2021/22 Draft Statement of Accounts was published on 30 August 2022 and was presented to the Committee on 7 September 2022. The audit of these accounts commenced late in 2022. This was partly due to the issues relating to the audit of the 2020/21 accounts as well as resource / scheduling issues for our external auditors. It should also 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.

3.2 As has previously mentioned, there have been, and still are, significant pressures on the local government audit market. Only 12% of local authority audited accounts for 2021/22 had been approved by the 30 November 2022 deadline, with 632 audits outstanding from 2021/22 and previous years. The Public Accounts Committee has recently commented on the issue. In addition, the National Audit Office has issued guidance on how audits can be brought to a conclusion due to a number of issues that have caused delays in finalising audits.

3.3 It should be noted that the audit of the Statement of Accounts for 2021/22 has been more challenging than in previous years and has taken significantly more officer time than normal. Although adjustments will be required to the draft accounts, officers are not aware of any significant issues being identified. However, the majority of the audit work has now been completed and the audit is expected to be concluded by the end of August 2023. It is expected that the final audited Statement of Accounts will be presented to Committee at one of the two scheduled meetings in September 2023.

4. Current Position on the Completion of the Statement of Accounts 2022/2023 and the commencement of the audit.

4.1 Although the deadline for the audit of Statement of Accounts has now been set at 30 September for 2022/23 up until 2027/28 (from its previous date of 31 July) the deadline for publishing the draft Statement of Accounts has reverted to its previous deadline of 31 May. The Government consulted on this change in February 2023 and despite representations from the Local Government Association, amongst others, that this was unrealistic the change has been implemented. A significant number of local authorities didn't achieve the deadlines, including five of the six Liverpool City Region councils, including Sefton.

4.2 Due to the audit of the 2020/21 and 2021/22 accounts not being concluded the Council has yet to publish its draft Statement of Accounts for 2022/23. With the audits nearing completion officers are working on producing the draft accounts

and hope to be in a position to publish them in mid-August 2023. It should be noted that any changes agreed to the 2021/22 accounts will require subsequent amendments to the 2022/23 accounts. It is expected that the draft Statement of Accounts will be presented to Committee at the meeting on 6 September 2023.

- 4.3 Due to the same issues that have impacted on the audit of the 2021/22 accounts, the audit of the 2022/23 isn't expected to commence until later in the year. Officers are working with EY to understand and agree timescales for the audit with the expectation that this will be concluded much earlier in 2024.