

Divisions Affected - All

AUDIT & GOVERNANCE COMMITTEE

10 May 2023

Statement of Accounts 2022/23

Report by Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - (a) Endorse the proposed timetable to produce the draft Statement of Accounts for 2022/23
 - (b) Ratify the accounting policies as approved by the Director of Finance and included as an annex to this report

Executive Summary

2. This report sets out the approach taken to the preparation of the 2022/23 Statement of Accounts including:
 - (a) The proposed date for publication of draft 2022/23 Statement of Accounts, and
 - (b) The approved Significant Accounting Policies which describe how the Council has interpreted and applied the CIPFA 2022/23 Code of Practice in Local Authority Accounting in the UK (the Code) and the basis of preparation of the accounts.

Statement of Accounts 2022/23 and prior years

3. The 2020/21 Statement of Accounts is going through its final review stages prior to signing. The audit of the 2021/22 Statement of Accounts began in January 2023 and remains open. In line with the audit plan from Ernst Young, completion is expected to be between July and September 2023. Further to correspondence received on 13 April 2023, it has been indicated that work on the 2022/23 Statement of Accounts will not begin until early in 2024.
4. The Accounts and Audit Regulations (2022) sets out the publication date for audited accounts as 30 September. Draft accounts for 2022/23 are required to be published by the end of May 2023. In February 2023 DLUHC¹ published results of a consultation on reviewing the date for publication of draft and

¹ Department for Levelling Up, Housing and Communities

audited accounts. The press release can be found [here](#). The response that the Director of Finance gave to the consultation, along with that of the Society of County Treasurers (SCT) and the Association of Local Authority Treasurers Societies (ALATS) was for the deadline for draft accounts to be extended to the end of June.

5. With prior years Accounts not being signed off it is presenting several challenges that affect the ability to meet the May 2023 deadline:
 - The Section 151 Officer must consider whether there is sufficient information available to ensure the Statement of Accounts are true and fair and free from material misstatement. With two year's of open audits, it is not possible to know if there are any audit issues and any impact on prior year comparators for 2022/23 accounts.
 - The Finance Team have been responding to queries on 2020/21 and sample requests and evidence for 2021/22 which has delayed work beginning on the 2022/23 Statement of Accounts.
6. Taking this into consideration, it is not expected that draft accounts for 2022/23 will be published by 31 May 2023. The expected publication date is 30 June 2023. This will still allow the Committee time to consider the draft set of Accounts prior to their audit. The Council's website will be updated to inform the public of the inspection period.

Significant Accounting Policies 2022/23

7. The Council's Statement of Accounts is prepared in accordance with the Code². The Council is required to adopt accounting policies that are set out in the Code which describe how the Council has interpreted and applied the Code.
8. The Code defines Accounting Policies as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.'
9. The significant accounting policies adopted by the Council are disclosed within three notes to the Core Financial Statements in the Statement of Accounts:
 - Note 1. Summary of Significant Accounting Policies (Annex 1)
 - Note 2. Critical judgements in applying accounting policies
 - Note 3. Assumptions made about the future and other major sources of estimation uncertainty
10. 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.'

² The Code is the CIPFA Code of practice on local authority accounting in the United Kingdom 2022/23

11. 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

12. 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 has approved Note 1. Summary of Significant Accounting Policies for 2021/22 as set out in Annex 1. All significant accounting policies have been selected with reference to the Code. The only addition to the accounting policies is on accounting for infrastructure assets. This section has been highlighted and is paragraphs 45 to 51 of Annex 1.
13. 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 and Governance Committee in its capacity as 'Those Charged with Governance'. The Audit and Governance Committee is therefore asked to ratify the accounting policies as set out in Annex 1.
14. Note 2. Critical judgements in applying accounting policies and Note 3. Assumptions made about the future and other major sources of estimation uncertainty will be prepared alongside the main financial statements and other notes to the accounts as the relevant information becomes available

Financial Implications

15. There are no financial implications arising directly from the report.

Comments checked by:
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Legal Implications

16. There are no legal implications arising directly from the measures set out. However, the Council will need to ensure that arrangements are put in place to comply with any amendments to the Local Audit and Accountability Act 2014, Accounts and Audit Regulations 2015 and statutory guidance, including the Code of Practice on Local Authority Accounting in England and Wales.

Comments checked by:
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LORNA BAXTER
Director of Finance

Annex 1: Note 1. Summary of Significant Accounting Policies

Background papers: Nil

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May 2023