

# Statement of Accounts Update

**Governance and Audit Committee** 9 March 2022

<b>Report Author</b>	Chris Blundell, Director of Finance and Section 151 Officer
<b>Portfolio Holder</b>	Cllr David Saunders, Cabinet Member for Finance
<b>Status</b>	For Decision
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No
<b>Ward:</b>	All Wards

## Executive Summary:

This report provides the committee with a progress update on the audit of the 2021/22 accounts, highlights the audit deadlines for 2021/22 accounts publication and audit and presents the Council's Accounting Policies to be used in the 2022/23 accounts for approval.

## Recommendation(s):

1. That the committee notes the progress with the audit of the 2020/21 statement of accounts;
2. That the committee notes the statutory audit deadlines for 2021/22;
3. The committee notes the council's response to the consultation on time limited changes to the code of practice on Local Authority Accounting, as set out in Annex 1; and
4. That the committee approves the 2022/23 accounting policies as set out in Annex 2 this report.

## Corporate Implications

### Financial and Value for Money

As detailed within the body of the report

### Legal

Section 3 of the Local Audit and Accountability Act 2014 requires local authorities to prepare a statement of accounts.

Local authorities must produce their accounts in accordance with the Code of Practice on Local Authority Accounting. In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

These proper practises apply to statements of accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. The audit of those accounts is undertaken in accordance with the statutory framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014

## **Corporate**

This forms part of the external audit process

## **Equality Act 2010 & Public Sector Equality Duty**

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

There are no equity and equalities implications arising directly from this report, but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

## **Corporate Priorities**

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

## **1. Introduction and Background**

- 1.1. This report provides the committee with an update on the following of accounting issues:
  - A progress update on the audit of the 2021/22 accounts,
  - Outlines the deadlines for the closure and audit of the 2022/23 accounts,
  - Sets out the council's response to a consultation on interim changes to the Code of Practice for Local Authority Accounts (the Code)
- 1.2. It also presents the council's 2022/23 accounting policies to the committee for approval.

## **2. Progress Update on the Audit of the 2020/21 Accounts**

- 2.1. The external audit of the council's statement of accounts is now largely complete. However there remain two matters of critical judgement that need to be resolved before the audit can be completed. These matters relate to the provisions that were created to recognise anticipated revenue costs associated with the berth 4/5 capital scheme and also costs associated with disciplinary and grievance matters.
- 2.2. These are on-going and complex matters and consequently the estimates that were made when the draft accounts were published on 30 July 2021 need to be revisited due to the passage of time. Further supporting information has also been requested from third parties in order to support the estimates that were made and it is expected these audit matters should be concluded within the coming weeks.
- 2.3. An additional Governance and Audit Committee meeting will be scheduled for May 2022, to allow the publication of the audited accounts at the earliest possible juncture.

## **3. Statutory Audit Deadlines for 2021/22**

- 3.1. The Accounts and Audit (England) Regulations 2015 require the council (through this Committee) to approve and publish its annual statement of accounts by 31 July. Furthermore, local authorities are required to approve their draft accounts by 31st May, with draft accounts being made available for public inspection for 30 working days, inclusive of the first 10 working days of June.
- 3.2. However, a review conducted by Sir Tony Redmond into local authority auditing and financial reporting (Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting) published in September 2020 highlighted the following findings:
  - The existing statutory audit deadline of 31 July is unrealistic.
  - There is an argument to suggest the deadline should be moved to 30 September to enable audit requirements to be fulfilled effectively.
- 3.3. Subsequently the audit regulations were amended to extend the deadline for publishing the audited accounts to 30 September for two years (2020/21 and 2021/22 accounting years), with further review thereafter. The amended regulations also now require the draft accounts to be published by 1st August, again representing an extension from the previous 31st May deadline.
- 3.4. The Council was successful in publishing its draft 2020/21 accounts by 1 August 2021 and will aim to meet the 1 August 2022 deadline for this year's 2021/22 accounts. However, Thanet's audited accounts were not published by the 30 September statutory deadline, which was a common theme across the sector with 91% of audited accounts not being delivered on time.

## **4. Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting**

- 4.1. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA Code Board under the oversight of the Financial Reporting Advisory Board. The Code specifies the principles and practises of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows of a local authority. It sets out the framework that local authorities must comply with when producing their accounts.
- 4.2. On 3 February 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued an exceptional consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements.
- 4.3. This is in response to only 9% of local authority accounts in England meeting the audit publication deadline of 30 September 2021, and only 40% of audited accounts approved three months after this deadline by 31 December 2021.
- 4.4. In December 2021, the Department of Levelling-up Housing and Communities asked CIPFA LASo consider ways in which the code may ameliorate this crisis position. CIPFA LASAAC considered this request and has issued this exceptional consultation, which explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

- an adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
  - deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.
- 4.5. The consultation closed on Thursday 3 March 2022 and at the time of writing a formal response is still to be received. The Council's response is set out at Annex 2 to this report.
  - 4.6. Support was provided for the deferral of the adoption of lease standards, as this will reduce workload for both the finance team and the Grant Thornton, consequently increasing the likelihood of the statutory deadlines being met.
  - 4.7. The section 151 officer is awaiting the outcome of the consultation before deciding whether to pause professional valuations. The annual valuations have already been provided by our external valuers and could therefore be used this year, nonetheless implementing them may elongate the audit and therefore a decision will be made in due course once all information

is available and reported to the committee in due course. A verbal update will be provided to the committee further information has been provided by the date of the meeting.

## **5. Accounting Policies**

- 5.1. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements
- 5.2. Each year the Council undertakes a review of its accounting policies to assess relevance and consistency of application. To aid understanding of the basis in which the accounts are prepared, we are presenting these policies to G&A for consideration and approval for the forthcoming year 2022/23.
- 5.3. The Statement of Accounts summarises the council's transactions for any given financial year and its position at the year end of 31 March. The council is required to prepare an annual Statement of Accounts in accordance with the statutory framework established in England by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practice. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by the International Financial Reporting Standards (IFRS).
- 5.4. The accounting policies that will be adopted for 2022/23 are set out in Annex 1 of this report and cover the main principles, rules and conventions that will need to be applied.

## **6. Changes in Accounting Policies for 2022-23**

- 6.1. As set out in section 3, the main change that was expected for the 2022/23 accounts was the implementation of IFRS16 (bringing almost all lease liabilities on to the balance sheet together with the corresponding 'right of use' assets). However, the emergency consultation has proposed that this be delayed for a further year from 2021-22 to 2022-23 (implementation date 1 April 2022), due to Covid-19.
- 6.2. Therefore, there are no significant changes to report, however the housing debt write off policy is subject to a current review (yet to be finalised), so may need to be subsequently amended.

Contact Officer: *Chris Blundell, Director of Finance*  
Reporting to: *Madeline Homer (Chief Executive)*

### **Annex List**

Annex 1: Response to Emergency Consultation  
Annex 2: 2022/23 Accounting Policies

### **Corporate Consultation**

**Finance:** *Not applicable*  
**Legal:** *Estelle Culligan (Director of Law and Democracy)*