

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 29 November 2023

Report of: Director Finance

Title: Statement of Accounts 2021/22

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To seek Members' approval of the Council's Statement of Accounts for 2021/22, subject to conclusion of the audit.
- 1.2 The Statement of Accounts is intended to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements, as at 31 March 2022.

2. Recommendations:

- 2.1 It is recommended that delegated powers are given to the Director Finance and Chair of Audit and Governance Committee to approve the Statement of Accounts for 2021/22 upon the conclusion of the audit and to report back to this committee any significant findings, if any are identified in the remainder of the audit.

3. Reasons for the recommendation:

- 3.1 The publication of audited Statement of Accounts is a statutory requirement, in accordance with the Local Audit and Accountability Act 2014, and the Accounts and Audit Regulations 2015.

4. What are the resource implications including non-financial resources?

- 4.1 There are no further resource implications.

5. Section 151 Officer Comments:

- 5.1 This has been a prolonged audit, which, to date has not resulted in significant adverse findings. In normal times, it would be important to ensure that Council approve the Statement of Accounts, via the Audit & Governance Committee. However, to allow the audit to be finalised and the work on the 2022-23 audit to proceed, it is requested as a one-off that delegated authority be given to allow the Council and Grant Thornton to move forward. The Section 151 Officer will bring a paper to the March Committee confirming any further changes that have been made.

6. What are the legal aspects?

- 6.1 The Statement of Accounts has been prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.
- 6.2 As part of the Government's response to Sir Tony Redmond's review of the effectiveness of external audit and transparency of financial reporting of local authorities, the accounts publication deadlines were amended for financial years; 2020/21 and 2021/22.

The Accounts and Audit (England) Regulations 2015 were amended by the Accounts and Audit (Amendment) Regulations 2021 to set out the following reporting dates

Draft accounts published	Deadline 31 July
Public inspection period	Start date no later than the first working day of August
Audited accounts	Deadline 30 September

- 6.3 The audit of the accounts has been undertaken in accordance with the statutory framework established by section 20 of the Local Audit and Accountability Act 2014, by the Council's external auditors, Grant Thornton.

7. Monitoring Officer's Comments:

- 7.1 The Statement of Accounts is the formal audited accounts for the period 2021/22. The purpose of these audited accounts is to give clear information on the Council's overall finances and to demonstrate the Council's stewardship of public money for the relevant year. Given the importance of this document, it is disappointing that these have been so delayed.

8. Report Details:

EXTERNAL AUDIT OF THE 2021/22 STATEMENT OF ACCOUNTS

8.1 Appointed Auditor

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. Exeter City Council opted into this arrangement.

On 14 December 2017, the PSAA board approved the appointment of Grant Thornton (UK) LLP to audit the accounts of Exeter City Council for a period of five years, covering the accounts from 1 April 2018 to 31 March 2023. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

8.2 Audit Delay

As reported to Audit and Governance Committee on 30 November 2022, there was a delay in the commencement of the audit due to Grant Thornton's commitment to a

prior audit and a delay transitioning to the Council's audit, which meant the audit did not start until mid-October 2022.

On 26 July 2023 a further update was provided to Audit and Governance Committee in respect of the audit delay, as the delayed start meant that it has been necessary for both parties to pause the audit, at times, to allow resources to be diverted to the annual budget setting process (finance team) and for Grant Thornton to be diverted to their NHS audits.

8.3 Statement of Accounts 2021/22

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances.

The draft Statement of Accounts were received by the auditors on 26 July 2022, before the revised national publication deadline of 31 July 2022. The period for the public inspection of the accounts ran from Wednesday 27 July 2022 to Wednesday 7 September 2022.

Information contained in the Statement of Accounts has been consolidated into the Whole of Government Accounts for 2021/22.

8.4 Presentation of the Statement of Accounts

The Code of Practice on Local Authority Accounting (the Code) provides guidance on the format and content of the Statement of Accounts and means that they have to conform to a national standard.

8.5 Main Changes to the Accounts

The Code did not adopt any new accounting standards for the 2021/22 financial year, which enabled the accounts to be prepared on a consistent basis with the prior year.

Since the issue of the draft accounts, two changes have been made to recognise subsequent information:

- **Triennial Valuation of the Pension Fund**

Local Government Pension funds are valued every three years (triennial valuation) to estimate future liabilities (payments to pensioners), asset values and other factors to arrive at the level of employer contributions required for the following three years.

The 2021/22 statement of accounts were published in July 2022 and reflected the latest triennial valuation (March 2019) and updated by the actuary for conditions at March 2022.

The delay in finalising the audit of 2021/22 meant that information from the March 2022 triennial valuation of the pension fund became available and provided new information about conditions of the fund as at 31 March 2022. It was therefore deemed necessary to amend the 2021/22 draft Statement of Accounts, in order to provide a true and fair view of the financial position of the Authority. The Pension

Fund liability at 31 March 2022 reduced by £24.065m. These changes were reported to Audit and Governance Committee on 26 July 2023.

- **Events after the Reporting Period**

As the audit has not been concluded in respect of 2021/22, it has been necessary to disclose the Council's decision on 17 October 2023 to reduce the capacity of its housing development company, Exeter City Living Ltd, as an event which took place after 31 March 2022, but provides information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date.

8.6 Audit Findings

At the time of writing, our external auditors anticipate issuing an unqualified audit opinion on the Authority's financial statements and have identified a single error in respect of the Group Accounts:

- **Group Accounts**

The Code requires that assets and liabilities, reserves, income and expenses relating to transactions between entities of the group to be eliminated in full. This was the approach taken in the Council's original draft accounts. However, during the course of the audit it was identified that a less common adjustment is required where items of property, plant and equipment are sold between group members.

The purchase of properties at Anthony Road in 2020/21 (£900k) and at Thornpark Rise (£2.450m) were eliminated in error from the group accounts, as the assets have not left the group. This has been adjusted for in the final Group Accounts, which has no impact on the Council's single entity financial statements.

Overall, the amendments to date have had no impact on either the General Fund balance or the Housing Revenue Account balance, which remain as reported to Council. The overall financial performance of the Council for 2021/22 was reported to Executive on 5 July 2022 and to Council on 19 July 2022.

9. How does the decision contribute to the Council's Corporate Plan?

The Statement of Accounts set out the financial position at the end of the 2021/22 and the transactions of the Council during 2021/22, both of which help underpin delivery of the Corporate Plan.

10. What risks are there and how can they be reduced?

The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Board and Members. There is also a risk of failing to implement key accounting changes in accordance with approved accounting standards, but this is mitigated by the external audit of the Statement of Accounts.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only.

12. Carbon Footprint (Environmental) Implications:

12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

Not applicable

Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

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