

Chichester District Council

CORPORATE GOVERNANCE AND AUDIT COMMITTEE 17 July 2023

Statement of Accounts for 2021-22

1. Contact(s)

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2. Recommendation

- 2.1. **That the Committee consider and approve the Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2022 and note the outturn position.**
- 2.2. **That delegated authority be given to the Director of Corporate Services in consultation with the Chairman of the Corporate Governance and Audit Committee, to:**
 - a) **approve any non-material changes to the 2021-22 Statement of Accounts that arise from the final external audit work, and**
 - b) **authorise the Letter of Management Representation to be given to the Council's External Auditor.**

3. Main Report

3.1. Introduction

- 3.1.1 The Council's Statement of Accounts, including the audit certificate and opinion, should have been approved by this Committee by the end of September 2022, under the Accounts and Audit (Amendment) Regulations 2021.
- 3.1.2 The Council published its unaudited accounts on 29 July 2022 and made them available for audit. Our external auditors, Ernst & Young LLP (EY), advised council officers from January 2022 that they would not be able to meet the September 2022 deadline, due to the knock on effect of the delayed completion of the 2020-21 accounts audit, since the results were only finally reported to the Committee on 6 June 2022. The reasons for the delay of the 2021-22 audit were reported to the Committee in October 2022, as part of EY's 2021-22 Audit

Planning report. A statutory notice was placed on the Council website to this effect.

- 3.1.3 The draft statements were published on the Council's website to be available for the public inspection period, which ran from the end of July 2022 to the beginning of September 2022. These statements will be replaced with the audited statements once the signed audit opinion has been received.
- 3.1.4 The external audit commenced at the beginning of December 2022 and was conducted both remotely and in person following the removal of any covid restrictions. This was a welcome improvement to the previous years' experience of remote working only. Regular meetings between council officers and the audit team took place throughout the process. Due to the experience of the previous year, the Section 151 Officer again advised EY that the timing of their audit would create difficulties for the Council's finance team, especially as it conflicted with the Council's annual budget cycle. Ultimately due to the statutory requirement to produce the Council's budget this task would have to take precedence, and despite this, our external auditors continued to proceed with their audit starting in December 2022, with its conclusion now expected by the end of July 2023, a year after the original draft accounts were produced for the external audit review.
- 3.1.5 Since this is the second year where the timing of the audit coincided with the annual budget cycle, it created significant pressure on the Council's finance team who, nevertheless, endeavoured to provide information in accordance with the auditor's requirements. Inevitably, delays in providing information did occur as other work needed to be prioritised. Due to the delays in the audit, new audit items and other technical issues meant that the external auditors had new testing areas, and the need to revisit significant areas such as infrastructure assets, pension IAS19 information etc. The potential impact of this will be increased audit fees, which have yet to be discussed or agreed through the national contract management arrangements.
- 3.1.6 Officers expect the external auditors will issue an unqualified opinion on the Statement of Accounts and the Council's arrangements for securing economy, efficiency, and effectiveness in the use of resources under their Value for Money assessment.
- 3.1.7 The Council has not received any questions or objections to its accounts from the public.
- 3.1.8 Council has delegated the approval of the Council's Statement of Accounts to the Corporate Governance and Audit Committee. However, as set out in the EY Audit Results Report, some of the external audit work is still ongoing at the time of writing this report. Consequently, it is requested that delegated authority be given to the Director of Corporate Services in consultation with the Chairman of the Corporate Governance and Audit Committee, to approve any non-material changes to the 2021-22 Statement of Accounts that arise from the final external audit work.
- 3.1.9 The Committee should note that there continues to be delays in the external audit reviews of local authority accounts across England, which has been the

subject of a Parliamentary Select Committee review. The outcome and any proposals to overcome the ongoing backlog has yet to be announced. At this time the external auditors have yet to advise the Director of Corporate Services when the audit for the 2022-23 Statement of Accounts will commence. As members are aware the Council has yet to publish its draft 2022-23 Statement of Accounts due to the delay in the finalisation of the external audit review of the 2021-22 accounts being considered now. The 2022-23 accounts will be published once the 2021-22 audit has been concluded.

3.2. The Statement of Accounts

3.2.1 The Statement of Accounts is included as a separate document in Appendix 1 and comprises:

- A Narrative Report
- Statement of Responsibilities for the Statement of Accounts
- The accounting statements
- The accounting policies on which the accounts have been prepared
- Notes to the accounts.

3.2.2 The format and content of the accounts is largely prescribed by the Chartered Institute of Public Finance & Accountancy's (CIPFA) Code of Practice, however local authorities are provided with some leeway to report Income and Expenditure on the same basis as each Council is organised, reflecting the differences in service structures between Councils.

3.2.3 The narrative report section aims to provide a readable summary of the key issues and headline figures contained within the Statement of Accounts. This also includes an assessment of any ongoing impact of the global pandemic and other world events which affects the Council's financial position, and confirms its status as a going concern.

3.3. Analysis of the 2021-22 General Fund position

3.3.1 The audited outturn position on the General Fund for 2021-22 is a surplus of £1.042m and this has been transferred to the General Fund Reserve. Appendix 2 sets out the main variances creating this outturn position.

3.3.2 Any ongoing effect of these variations not already considered when the 2022-23 budget was set, were considered as part of the monitoring, and forecasting of the 2022-23 outturn position and when setting the 2023-24 base budget.

3.4. Letter of Representation

3.4.1 The Council must issue a Letter of Representation to its external auditors at the conclusion of the audit. The letter summarises the assurances given by the council in relation to the accounts and audit and will follow the content contained in the draft letter shown in Appendix C of the EY Audit Results report. It is requested that delegated authority be given to the Director of Corporate Services in consultation with the Chairman of the Corporate Governance and Audit Committee to agree the final draft of the letter.

3.5. Carry Forward Requests

3.5.1 Council has delegated authority for the approval of budget carry forward requests to the Director for Corporate Services (the Council's S151 officer) following consultation with the Chief Executive.

3.5.2 Details of all carry forwards agreed under this process are provided in the table below:

Division	Request	Amount £
Place	District Wide Visions	96,400
Health Protection	To provide funding for a backlog of food inspections funded from underspent staffing budgets. The Council's food inspection programme was suspended from March 2020 until July 2021 due to the pandemic. The Council has a statutory duty to complete the programme, so it was agreed that this budget underspend be carried forward into 2022-23 to provide for additional temporary staffing resource in order to complete the outstanding inspections.	67,400
Business Support	During 2021-22 the Council received additional new burdens funding associated with Individual Electoral Registration. This provided the opportunity to purchase several computer tablets to assist with the electoral canvassing process. The purchase also included the first year of a two-year service agreement for this equipment. It was agreed that the funding for the second and final year of the agreement be carried forward in 2022-23.	3,500
Financial Services	Due to the number of staffing vacancies and the challenging job market this carry forward will be used to have an improved marketing programme for roles and provide for any potential training needs.	19,800
Revenues and Benefits,	<p>During 2021-22 the Council received three tranches of new burdens funding (£175,828 in total) from the government towards the costs of administering the ongoing business grant schemes and the reconciliation process for each grant stream. Some of this grant was used to fund additional IT software costs, and staff overtime, however at the end of year a balance of £136,000 remained. The condition of the grant makes it clear that this funding cannot be used for any other purpose other than what it was intended for.</p> <p>The remaining grant has therefore been carried forward into 2022-23 to support the following:</p> <ul style="list-style-type: none"> Recruitment of 4 officers on a fixed term basis to bolster and support teams within Revenues and Benefits to support Money Advice, Financial Support and Debt Recovery work. 	136,000
		323,100

4. Alternatives considered

Not applicable

5. Resource and legal implications

- 5.1 The 2021-22 budget variations and outturn position were considered as part of the in-year monitoring of the 2022-23 budget, and in the preparation of the budget for 2023-24. The Council also has a statutory duty to approve and publish its audited Statement of Accounts by 30 November.

6. Consultation

- 6.1 The draft statements were published on the Council website on 29 July 2022 and subject to the required public inspection which ran from the beginning of August 2022 to early September 2022.

7. Community impact and corporate risks

- 7.1 The reputation of the Council as an organisation that manages its finances effectively may be put at risk if the external auditor issues a qualified opinion on the accounts.

8. Other implications

	Yes	No
Crime & Disorder		✓
Climate Change and Biodiversity		✓
Human Rights and Equality Impact		✓
Safeguarding and Early Help		✓
General Data Protection Regulations (GDPR)		✓
Health and Wellbeing		✓

9. Appendix

Appendix 1 - Audited Statement of Accounts 2021-22
Appendix 2 - Analysis of major variations

10. Background Papers

None