

Audit Committee

25 September 2023



Report of: Director of Finance

Title: Statement of Accounts Year Ended 31 March 2022

Ward: City Wide

Officer Presenting Report: Denise Murray

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Recommendation

1. Audit Committee approves the Statement of Accounts for the year ended 31 March 2022.
2. Audit Committee delegate to the Chair the signing of the Letter of Representation as soon as the audit has been satisfactorily concluded.

Summary

This report should be considered alongside the ISA260 report being presented by the Council's external auditor.

The Statement of Accounts sets out the Council's financial position as at the 31 March 2022 along with a summary of its income and expenditure for the year to 31 March 2022. The financial statements are the main method of demonstrating financial accountability and stewardship.

Grant Thornton have substantially completed their audit work on the financial statements, and subject to the resolution of outstanding queries, anticipate issuing an unqualified audit opinion. The audit has identified a number of adjustments and presentational changes to the accounts since the draft Statement was presented to Members on 26 July 2022. These are summarised in this report.

Policy

None affected by this report.

Consultation

- 1. Internal**
Executive Members and senior management
- 2. External**
The draft accounts were available for public inspection.

Background and Context

1. Audit Committee last considered the draft accounts at its meeting of 26 July 2022. There have been a number of corrections and technical adjustments made to the Statement since its last publication and these are detailed in paragraph 4 below.
2. The Council's Statement of Accounts has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) which is based on International Reporting Standards (IFRS). This is necessary to ensure that accounts of all Government funded bodies provide comparable and consistent information.
3. The annual accounts presented for approval have been audited by the external auditors, Grant Thornton, who have reviewed and undertaken significant testing of the financial statements and processes to complete them to ensure they have been prepared in line with regulatory and statutory requirements. Their findings and opinion on the accounts are reported separately as part of their findings report to Audit Committee.
4. The External Auditors, Grant Thornton, propose to issue an unqualified audit opinion on the Council's financial statements. There remain a number of outstanding matters under consideration. Prior to approving the accounts the Auditor requires that the Audit Committee considers the matters raised in the Annual Governance Statement for 2021/22. Members will note this was approved at the meeting on 27 June 2022. There have been no subsequent changes.
5. The Audit has identified several changes to the draft accounts previously circulated. Besides several minor corrections and updates to disclosure notes there are three more material adjustments impacting on the financial statements, two of which were unavoidable follow directly as a result to adjustments to the 2020/21 accounts and the third is the separation of government grant income in advance on the balance sheet. Details of each are provided:

- I. In 2021/22 the Council changed its valuation method for a number of assets from existing use value to depreciated replacement cost. As the 2020/21 comparative year remained open there was a requirement to carry out a similar exercise on the closing values of the same assets as at 31 March 2021. This has resulted in an increase in asset values as at 31 March 2021 of £14.3m. The accounts were subsequently amended to reflect these changes. However, as these changes were already in the 2021/22 accounts an adjustment is required, effectively between the revised balance brought forward from 2020/21 and the movement within 2021/22. (Note 20)
 - II. A national issue arose around the 2022 triennial valuation of the Local Government Pension Scheme (LGPS), which has resulted in adjustments to the accounts for all local authorities in 2021/22. Certain assumptions were made by the Actuary, including the derivation of the defined benefit liability from a roll forward of the 2019 valuation. Actuaries were asked to consider whether this will result in material changes to the 2021/22 accounts and as a result issued revised reports. The updated and revised actuarial calculations have been included in this set of accounts creating an unavoidable adjustment, leading to an increase in the overall pension liability by £20.958m. (Note 35)
 - III. During the audit a number of large items of government grant income have been reclassified in the accounts. There is no overall impact on the accounts other than reclassifying the disclosure of certain grant income in particular notes. The larger items include,
 - £16.6m S31 grant moved from non-service-related grants to business rates income (note 11)
 - £16.5m Better Care Funding moved from non-service-related grant income (note 11) to the People Directorate and disclosed in note 17
 - £5.3m grant for Syrian refugees moved from other to grant income (note 17)
 - A new line will be added to the balance sheet "Revenue Grants Received in Advance". This will split out revenue grants received in advance from other general income received in advance. There is no impact resulting in this change.
7. Attached at Appendix 2 is the Letter of Representation. This is provided by the Council in connection with the audit of the financial statements for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

Other Options Considered

Not applicable

Risk Assessment

The Statutory Accounts need to be formally published as soon as practicable. This report, together with the Annual Governance Statement, forms part of the assurance process.

Public Sector Equality Duties

None necessary for this report

Legal and Resource Implications

Legal

None arising from this report

Financial

None arising from this report.

Land

Not applicable

Personnel

Not Applicable

Appendices:

Appendix 1 Statement of Accounts 2021/22

Appendix 2 Letter of Representation

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Final Accounts working papers held in Corporate Finance