



# Northumberland County Council

Audit Committee

Wednesday, 29 November 2023

## Statement of Accounts 2021-22

**Report of Councillor(s)** Richard Wearmouth, Deputy Leader and Cabinet Member for Corporate Resources

**Responsible Officer(s):** Jan Willis, Executive Director for Resources & Transformation (S151)

### 1. **Link to Key Priorities of the Corporate Plan**

This report is relevant to all priorities included in the Corporate Plan 2023-2026.

### 2. **Purpose of report**

To seek approval of the Council's Statement of Accounts for the financial year ended 31 March 2022.

### 3. **Recommendations**

- 3.1 It is recommended that Audit Committee approve the Statement of Accounts for the Council for the financial year ended 31 March 2022, noting the outstanding issues in Section 2 of the External Auditors Audit Completion Report.
- 3.2 It is recommended that Audit Committee approve delegated authority for the Executive Director of Transformation and Resources to agree the outstanding issues detailed in Section 2 of the External Auditor's Audit Completion Report.

### 4. **Forward plan date and reason for urgency if applicable**

Not applicable.

### 5. **Key Issues**

- 5.1 In accordance with the statutory deadlines, the draft (unaudited) statement of accounts for Northumberland County Council for the financial year ended 31 March 2022 was authorised by the responsible financial officer and published on the Council's website on 22 July 2022, ahead of the statutory deadline of 31 July 2022.

- 5.2 During October 2022 two drop-in sessions were arranged for members of Audit Committee to speak to officers regarding any issues or points of clarification sought by Members.
- 5.3 Approval needs to be given to the final statement of accounts by resolution of the Council's Audit Committee. This approval will take account of the views of the External Auditor. Once approved, the statement of accounts must be published on the Council's website.
- 5.4 The accounts have been subject to review by the External Auditor (Mazars LLP). A number of amendments have been identified and have been included in the statement of accounts presented today.
- 5.5 The External Auditor intends to issue an unqualified opinion on the financial statements of the Council. Work on Value for Money is not yet complete, however at the time of this report the External Auditor has indicated that a qualified opinion is anticipated.

## **6. Background**

- 6.1 The published accounts are important in demonstrating the Council's stewardship of public money. They show the resources available to the Council and how they are used to deliver services to the people of Northumberland. The Statement of Accounts for 2021-21 has been compiled in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy.
- 6.2 The Accounts and Audit Regulations 2015 stipulates a two-stage approval process for the statement of accounts. The first statutory deadline usually requires that the responsible financial officer, by no later than 31 May should sign and certify that the statement of accounts presents a true and fair view of:
  - (a) the financial position of the Council for the year to 31 March previous, and
  - (b) its expenditure and income for the year to 31 March previous,subject to the views of the External Auditor.
- 6.3 The second stage requires that on or before 31 July approval needs to be given to the statement of accounts by resolution of a committee, which for Northumberland County Council is the Audit Committee. This approval will take account of the views of the External Auditor. Once approved, the statement of accounts must be formally published on the Council's website.
- 6.4 However, the statutory deadlines were extended for the 2021-22 year due to the impact of Covid-19 on local authorities. The key changes for the publication of accounts for 2021-22 are as follows:
  - (a) the deadline for the Council to publish its draft accounts was 31 July 2022 (not 31 May); and,
  - (b) the deadline for publication of its final (audited) accounts moved from 31 July to 30 November 2022.
- 6.5 The first stage was completed on 22 July 2021.

- 6.6 There has been a significant delay in relation to the second stage of the process in completing the audit of the accounts. This is as a result of several factors outside of the Council's control and include the following:
- (a) a national infrastructure issue impacting on most councils. The issue relates to likely overstatement of infrastructure balances, due to balances not being sufficiently depreciated, in part due to insufficient historic records of infrastructure expenditure being maintained. CIPFA's 'Bulletin 12 – Accounting for Infrastructure Assets' in February 2023 provided Local Authorities with further guidance for its financial statements estimation processes by providing typical indicative lives for various components of an authority's highways network. On the back of this, officers undertook a large scale exercise categorising each of the Council's 7,000 plus infrastructure assets by project and in accordance with the prescribed network components. Following this exercise, specialist Highways input was sought on the appropriateness of this approach, with suitably qualified and experienced Highways officers asked to review and verify the useful lives for each category based on their knowledge of local factors. The 2021-22 financial statements were amended, and the revised Statement of Accounts provided to the External Auditor on 29 June 2023.
  - (b) the delay due to the infrastructure issue was then exacerbated by a delay in receiving the Pension Fund Auditor Assurance letter until 24 March 2023. This meant that the triennial revaluation of the Tyne & Wear Pension Fund as at 31 March 2022 was available as more up to date information to reflect in the 2021-22 financial statements. The Council was required to obtain updated IAS19 valuation reports and amend the 2021-22 financial statements for the new figures. The amended 2021-22 Statement of Accounts were provided to the External Auditor on 29 June 2023.
  - (c) the completion of the audit of Advance Northumberland Limited.
  - (d) consideration of the impact of issues initially identified by the SOLACE review, which was reported to the Council in June 2022.
- 6.7 The External Auditor has made good progress in completing the audit of the statement of accounts and the Final Audit Completion Report is to be presented by the auditor to the Committee today. At the date of this report there remain audit procedures that are in progress and areas where the auditors are continuing to work with officers to resolve audit queries and agree amendments to the financial statements. Approval is requested for delegated authority for the Executive Director of Transformation and Resources to agree the outstanding issues with the External Auditor on the basis that they are not expected to be material.
- 6.8 During the audit, working in collaboration with the auditor, a number of amendments were identified which have been included in the statement of accounts presented today.

## **7. Statement of Accounts**

- 7.1 The statement of accounts for the financial year 2021-22 has been prepared in accordance with the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the Accounts and Audit (England) Regulations 2015 and the Code of Practice on Local

Authority Accounting 2021-22 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 7.2 The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 7.3 During the audit review of the draft statement of accounts, a number of 'misstatements' were identified which have since been amended. These are listed in Section 6 of the Final Audit Completion Report.
- 7.4 In addition, a number of changes have been made to the notes to the core financial statements to correct errors and ensure compliance with the requirements of the Code.
- 7.5 There were a number of non-material misstatements identified which remain unadjusted. These are listed in Section 6 of the Final Audit Completion Report. As the unadjusted misstatements do not materially affect the accuracy/integrity of the statement of accounts, no adjustments have been made for these items.
- 7.6 Upon completion of the audit of the accounts, a 'letter of representation' will be produced which will contain the reasons for not adjusting any items.
- 7.7 To help Members in reading and interpreting the contents, Appendix 1 to this report briefly explains the purpose of each section of the statement. The Statement of Accounts is attached as Appendix 2 and the External Auditor's Audit Completion report is attached as Appendix 3.

## 8. Options open to the Council and reasons for the recommendations

- 8.1 It is recommended that Audit Committee approve the final Statement of Accounts for the Council for the financial year ended 31 March 2022, noting the outstanding issues in the External Auditors Audit Completion Report.
- 8.2 It is recommended that Audit Committee approve delegated authority for the Executive Director of Transformation and Resources to agree the outstanding issues detailed in the External Auditor's Audit Completion Report.

## 9. Implications

<b>Policy</b>	None.
<b>Finance and value for money</b>	The Statement of Accounts summarises the financial performance of the Council for the 2021-22 financial year and shows its net worth as at 31 March 2022. The figures included in the Statement of Accounts must represent a true and fair view of the Council's financial position and the External Audit testing and opinion on these figures is a significant part of this process.

<b>Legal</b>	There are no direct legal implications contained within this report.
<b>Procurement</b>	There are no direct procurement implications contained within this report.
<b>Human resources</b>	There are no direct HR implications contained within this report.
<b>Property</b>	There are no direct property implications contained within this report.
<b>The Equalities Act: is a full impact assessment required and attached?</b>	There are no direct equalities implications contained within this report. N/A
<b>Risk assessment</b>	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place. Once the accounts are signed off a full “lessons learned” review will be undertaken to inform arrangements for future years.
<b>Crime and disorder</b>	There are no direct crime and disorder implications contained within this report.
<b>Customer considerations</b>	There are no direct customer consideration implications contained within this report.
<b>Carbon reduction</b>	There are no direct carbon reduction implications contained within this report.
<b>Health and wellbeing</b>	The Council’s budget is founded on the principle of promoting inclusivity.
<b>Wards</b>	(All Wards);

**10. Appendices**

1. Guidance document to Statement of Accounts 2021-22
2. Northumberland County Council Statement of Accounts 2021-22
3. External Auditor’s Audit Completion Report

**11. Background Papers**

None other than the above appendices

**12. Links to other key reports already published**

Report to Audit Committee 23 March 2022: Changes to the Code of Practice for Local Authority Accounting in the UK for 2021-22

Report to Audit Committee 23 March 2022: Northumberland County Council  
Statement of Accounts 2021-22

Report to Audit Committee 23 March 2022: Statement of Accounts - Group Boundary  
Review

Report to Audit Committee 28 September 2022: Northumberland County Council –  
Consideration of 'Going Concern Status' for the Statement of Accounts for the year  
ended 31 March 2022

Report to Audit Committee 25 January 2023: Annual Governance Review and Draft  
Annual Governance Statement 2021-22

### **13. Author and Contact Details**

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