



AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 31 July 2024

REPORT TITLE:	DRAFT STATEMENT OF ACCOUNTS, DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2023/24, AND FINANCIAL MANAGEMENT CODE
REPORT OF:	DIRECTOR OF FINANCE

REPORT SUMMARY

This report presents the draft unaudited Statement of Accounts, the draft Annual Governance Statement for 2023/24, and the Financial Management Code assessment to the Audit and Risk Management Committee.

The Statement of Accounts sets out the Council's financial position as at the 31 March 2024, along with a summary of its income and expenditure for the year ended 31 March 2024. The draft Annual Governance Statement was published on the Council's website within the statutory deadline of 31 May 2024.

This report provides background information on the reasons why the Council prepares annual Accounts and the draft Annual Governance Statement (AGS), and the Financial Management Code assessment.

The report also provides commentary on:

- the main Statements contained within the Accounts;
- the public inspection period currently underway;
- arrangements being made to implement an external audit of the full Accounts by the Council's appointed auditors;
- the Annual Governance Statement and an update on the key governance issues, and assessment of the Council position against the Financial Management Code;

The AGS should reflect key governance issues up to the date of the approval of the annual statement of accounts, and therefore a final version will be reported to the Committee in September 2024 for approval along with the final version of the Council's financial statements.

The Council has a responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. The AGS reports the outcome of the annual review.

This matter affects all Wards within the Borough. The report is not a key decision at this stage.

RECOMMENDATION/S

The Audit and Risk Management Committee is recommended to:

1. Note the draft, unaudited Statement of Accounts for 2023/24.
2. Note and approve the draft Annual Governance Statement for 2023/24, including the actions planned in 2024/25 to address the two significant governance issues identified from this year's annual governance review.
3. Note the Financial Management Code assessment for 2023/24.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council, which is a requirement under the Accounts and Audit Regulations 2015. This review of the draft unaudited Accounts gives the Audit & Risk Management Committee an opportunity to look at the accounts and comment. The final, audited Statement of Accounts will be shared with Audit & Risk Management Committee when available following the completion of the external audit.
- 1.2 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015. The Council has previously approved and adopted a Code of Corporate Governance that complies with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) Framework Delivering Good Governance in Local Government. The Council reports publicly through the AGS the extent to which the governance processes outlined in the Code are operating effectively in practice.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Statement of Accounts are required to be produced in accordance with statutory guidance. The Accounts are subject to review by the appointed Auditor and must be published by 30 September for the 2023/24 financial year and subsequent years to 2027/28. There are no other options available as non-compliance would be in breach of the Accounts and Audit Regulations and a notice of delay would be required.
- 2.2 This is not applicable for The Annual Governance Statement as it is a statutory requirement.

3.0 BACKGROUND INFORMATION

3.1 The annual Accounts and their purpose

- 3.1.1 Preparation and publication of the annual Statement of Accounts is a specific statutory requirement under local government legislation and the Council must provide for this within the predetermined statutory timetable.
- 3.1.2 The preparation and publication of annual Accounts provides information that is intended to be of use to a range of stakeholders (including Members, employees, members of the public, government, and investors, etc.) in evaluating the financial performance of the Council and its stewardship of public money.
- 3.1.3 The annual Statement of Accounts is required to be compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Code of Practice on Local Authority Accounting for 2023/24 ("the Code") and applicable International Financial

Reporting Standards (IFRSs). The Code establishes “proper” accounting practices under local government legislation to ensure local authority accounts are prepared consistently with the objective of providing a true and fair view of the authority’s financial position, financial performance and cash flows for the year ended 31 March 2024. This report is intended to update Members on the draft, unaudited Accounts that have been made available for public inspection and external audit.

3.2 **Publication of the Draft Unaudited Accounts**

3.2.1 While the draft Annual Governance Statement was published on the Council’s website in line with the deadline of 31 May 2024, due to capacity and resource issues within the Finance division the draft accounts were completed and published on the Council’s website on the 5 July 2024. Both documents are appended to this report and are also available on the link below:

[Annual accounts | www.wirral.gov.uk](http://www.wirral.gov.uk)

3.3 **The Main Statements and Notes to the Accounts**

3.3.1 To assist understanding of the main statements and notes contained in the draft accounts, narrative is included in Appendix 3 for the following:

- Narrative Report
- Movement in Reserves Statement (MiRS)
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements
- Collection Fund Statement
- Glossary
- Merseyside Pension Fund Accounts

3.3.2 Appendix 5 of this report provides a summary of the Comprehensive Income and Expenditure Statement (CIES), and the Balance Sheet. At the time of writing there have been no changes to the accounts since publication of the draft accounts prior to the commencement of the external audit.

3.3.3 The deficit reported in the Comprehensive Income and Expenditure and Movement in Reserves Statement(s) of £45.039m differs from the balanced outturn position previously reported to Policy and Resources Committee on the 17 July 2024. This is because the surplus or deficit on the Provision of Services line shows the full impact of notional accounting adjustments required by the Code of Practice including unrealised gains and losses on valuation of property and other assets, rather than the amount to be funded from taxation. A similar deficit was reported for 2022/23 and it is not unusual to show a significant difference compared to the outturn position as they are prepared on different bases. The outturn position reported to Policy and Resources Committee is unchanged.

3.4 **Annual Governance Statement**

- 3.4.1 The Audit and Risk Management Committee is charged by full Council to consider the Annual Governance Statement, and be satisfied that this statement is comprehensive, properly reflects the risk and internal control environment including the system of internal audit, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, and includes an agreed action plan for improvements where necessary.
- 3.4.2 As in previous years the AGS has been prepared in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government 2016 Framework and Guidance. The Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulation and ensuring the effective exercise of its functions.
- 3.4.3 The draft AGS reports the outcome of the annual review of the effectiveness of the Council's governance framework. Key elements of the review included:
- Completion of Governance Assurance Statements by each of the Council's Senior Leadership Team (SLT).
 - Individual discussions with each member of the SLT to gauge their views on progress and areas for improvement in respect of each of the seven principles in the CIPFA/SOLACE Framework for good governance.
 - Updates from Directors in respect of actions taken for the Significant Governance Issues (SGIs) included in last year's AGS and actions planned in 2024/25 for SGIs identified in this year's annual review.
 - Review of Internal Audit work completed in the year.
 - Consideration of any significant internal or external reviews of governance – this has included reflecting the outcomes from the LGA Independent Assurance Panel, OFSTED reports, and External Audit reports issued in 2023/24.
- 3.4.4 The Annual Governance Statement 2023/24 covers the period from 1 April 2023 to 31 March 2024 and therefore any significant governance issues identified are those which have occurred during this period. It is also required to take into consideration any key issues that impact on the governance of the Council up to the date of the approval of the annual statement of accounts.
- 3.4.5 The main content of the AGS includes:
- For each of the seven principles of the CIPFA / SOLACE framework for good governance, an assessment of the effectiveness of the key elements of the Council's Governance processes during 2023/24.
 - A summary of the significant action taken during 2023/24 in respect of the two Significant Governance Issues identified in last year's AGS.
 - A summary of the actions planned in 2024/25 to address the two Significant Governance Issues identified from this year's annual governance review.

3.5 **Financial Management Code**

- 3.5.1 The CIPFA Financial Management Code (FM Code) was published in 2019 to provide guidance, standards, and principles for good and sustainable financial

management in local authorities. The FM Code assists Councils in evidencing their financial sustainability through a framework.

- 3.5.2 Adherence to the FM Code supports the Councils strategic and financial direction of travel. This also supports good practice in financial management and to assist the Council in demonstrating its financial sustainability by complying with the seven standards and six principles. As part of the Medium-Term Financial Strategy (MTFS) we have to ensure we are complying with the FM Code.
- 3.5.3 The FM Code does not describe the financial management process Councils should adopt, but requires Councils to demonstrate how they satisfy the principles of good financial management and is proportionate to the risks to the Council's financial sustainability considering the pressures of scarce resources and rising demands on services, by introducing a framework of assurance.
- 3.5.4 The Council has been assessing and monitoring against the FM Code and will continue to do so going forward in conjunction with the Senior Leadership Team to ensure compliance. In doing this the Director of Finance as Section 151 Officer will be supported to achieve a 'Compliant' or 'Compliant Continual Development' rating for financial management.
- 3.5.5 Appendix 3 provides the latest self-assessment and monitoring against the principles and standards, which sets out the position of the Council as assessed in May 2024 and demonstrates compliance with the Code. There is a continuous assessment of the Council against these requirements, and it is recommended that these are reported back to the Committee annually along with the Statement of Accounts and Annual Governance Statement.

3.6 Public Inspection Period

- 3.6.1 The public inspection of the accounts began on the 8 July 2024. Members of the public and other interested parties have thirty working days from that date (until 16 August 2024) to request access to documents relating to the financial statements for 2023/24 and related notes. Requests for information are subject to restrictions around commercial confidentiality and the protection of personal information. During the same period, a local elector may also raise questions relating to the accounts with the External Auditor. A notice setting out the rights to public inspection of the accounts along with relevant contact details has been published on the Council's website, and is available on the following link:

[Annual accounts | www.wirral.gov.uk](http://www.wirral.gov.uk)

3.7 Arrangements for External Audit

- 3.7.1 Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they are required to comply with the relevant statutory requirements, namely the Local Audit and Accountability Act 2014.
- 3.7.2 Grant Thornton expect to start their audit fieldwork in July and under local government legislation they are required to give their opinion on the Accounts,

whether in their professional opinion a true and fair view is reported. The opinion can be “unqualified” (with no material objections) or “qualified” (with material objections).

- 3.7.3 At the end of the process, Grant Thornton will also issue an Audit Findings Report outlining the conclusions from their audit, which include lessons to be learned and suggested improvements to processes and procedures for the Council to consider.
- 3.7.4 Subject to satisfactory completion of the audit by Grant Thornton, The Audit Findings Report and audit opinions will be shared with members of Audit & Risk Management Committee at the next available meeting once the reports are available. The Committee will be requested to authorise the final Statement of Accounts for issue and publication at that meeting. The deadline for publication of the final accounts is 30th September 2024. However, as in previous years the audit may go beyond the deadline and if this is the case the accounts will be brought to the next available Audit and Risk Management Committee meeting.

4.0 FINANCIAL IMPLICATIONS

- 4.1 None arising directly from this report. The outcome of the audit of the Statement of Accounts does however always have the potential to result in a change in the Council’s financial position.
- 4.2 The Council’s governance framework includes several financial elements, including the financial regulations, the budget strategy, and the treasury management strategy. These are linked to a number of the core principles providing parameters, systems, processes and guidelines within which the Council must operate and therefore assist in the delivery of good governance.
- 4.3 Compliance with the Financial Management Code will contribute to sound decision making. This will support the Medium-Term Financial Strategy, enabling Members to monitor progress against the Council Plan for 2023 to 2027 in a timely manner to ensure resources are allocated in line with strategic priorities.

5.0 LEGAL IMPLICATIONS

- 5.1 None arising directly from this report for the Statement of Accounts.
- 5.2 The Audit and Account (England) Regulations 2015 (Regulation 6) requires that the Council undertakes an annual review of the effectiveness of its internal control systems and prepare an Annual Governance Statement. The Annual Governance Statement must be approved along with the annual statement of accounts. The preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Framework fulfils the statutory requirements under the Regulations.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 None arising directly from this report, however any implications identified in the production of the AGS and the follow-up of actions identified will be reported to the Council’s SLT and the appropriate committee to identify the appropriate action that will be taken.

7.0 RELEVANT RISKS

- 7.1 None arising directly from this report. Potential failure of the Council to comply with the statutory requirement set out in the Accounts and Audit (England) Regulations 2015.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The draft unaudited Statement of Accounts for 2023/24 are currently out for public inspection and subject to external audit.
- 8.2 The draft AGS has been considered by the Senior Leadership Team and signed by the Chief Executive and Council Leader. The draft AGS was published on the Council website by the 31 May 2024 deadline.
- 8.3 The FM Code has also been considered by the Senior Leadership Team.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.
- 9.2 There are no equality implications arising specifically from this report. The files attached may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Interested stakeholders should contact Shaun Allen should these documents be required in an accessible format.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 The content and/or recommendations contained within this report have no direct implications for community wealth.

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APPENDICES

- Appendix 1 – Wirral Council Draft Statement of Accounts 2023/24
Appendix 2 – Draft Annual Governance Statement 2023/24
Appendix 3 – Summary Statements and changes to accounts

Appendix 4 – Glossary of Terms

Appendix 5 – Financial Management Code Assessment 2023/24

Appendix 6 – Financial Management Code guidance

BACKGROUND PAPERS

Statement of Accounts

- The report has drawn upon a number of sources of information including the Draft Unaudited Statement of accounts and supporting working papers and reports, plus published statutory guidance and legislation.
- CIPFA Code of Practice 2023/24.
- CIPFA Bulletin 17 and supplementary guidance.
- CIPFA Financial Management Code.

Annual Governance Statement

- CIPFA / SOLACE Framework Delivering Good Governance in Local Government.
- Briefings from CIPFA and the CIPFA Better Governance Forum.

TERMS OF REFERENCE

This report is being considered by the Audit and Risk Management Committee in accordance with Section E of its Terms of Reference.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee –Statement of Accounts for 2022/23 for Wirral Council & Merseyside PF, and Annual Governance Statement	12 December 2023
Audit & Risk Management Committee – Amended Statement of Accounts for 2021/22 for Wirral Council & Merseyside PF, and Annual Governance Statement	24 October 2023
Audit & Risk Management Committee – Draft Statement of Accounts for 2022/23 for Wirral Council & Merseyside PF, and Annual Governance Statement	27 June 2023
Audit & Risk Management Committee – Statement of Accounts for 2021/22 for Wirral Council & Merseyside PF, and Annual Governance Statement	1 March 2023
Draft Statement of Accounts Update, Draft Annual Governance Statement and Financial Management Code Assessment for 2021/22	26 October 2022
Audit & Risk Management Committee – Statement of Accounts for 2020/21 for Wirral Council & Merseyside PF	24 January 2022

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