



## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Wednesday, 26 October 2022**

<b>REPORT TITLE:</b>	<b>DRAFT STATEMENT OF ACCOUNTS UPDATE, DRAFT ANNUAL GOVERNANCE STATEMENT AND FINANCIAL MANAGEMENT CODE ASSESSMENT FOR 2021/22</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES</b>

### **REPORT SUMMARY**

This report brings the draft unaudited Statement of Accounts, Financial Management Code assessment, an update on changes to the accounts and the draft Annual Governance Statement for 2021/22 to the Audit and Risk Management Committee.

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 ended 31 March 2022. The draft unaudited Accounts and Annual Governance Statement were published on the Council's website within the statutory deadline of 31 July 2022.

This report provides background information on the reasons why the Council prepares annual Accounts, the draft Annual Governance Statement (AGS) and the introduction to a new requirement The Financial Management Code.

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 audit;
- Annual Governance Statement and an update on the key governance issues; 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 January 2023 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.

## **RECOMMENDATIONS**

1. Audit and Risk Management Committee is recommended to note the draft, unaudited Statement of Accounts for 2021/22.
2. Audit and Risk Management Committee is recommended to note the Finance Management Code for 2021/22.
3. Audit and Risk Management Committee is recommended to note and approve the draft Annual Governance Statement for 2021/22, including the actions planned in 2022/23 to address the two significant governance issues identified from this year's annual governance review.
4. Note the changes to the draft Accounts as set out in appendix 5.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATIONS**

- 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 and the Accounts and Audit (Amendment) Regulations 2022. 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 following a change in regulations they must be published by 30 November for year 2021/22 and then subsequent years to 2027/28 by 30 September. 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**

#### **What are the annual Accounts and their purpose**

- 3.1 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.
- 3.2 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.
- 3.3 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 2021/22 ("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 2022. This report is intended to update Members on the draft, unaudited Accounts that have been made available for public inspection and external audit.

### **The Financial Management Code**

- 3.4 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. 2021/22 is the first full year of compliance with the FM Code and this adherence to the FM Code will support 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, and this was first introduced into the Councils MTFS in 2021.
- 3.5 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.

### **Revised Publication Timetable for 2021/22 Statement of Accounts**

- 3.6 Under amended legislation, Accounts and Audit (Amendment) Regulations 2022, local authorities had until the 31 July to publish draft accounts. The deadline for completion of the external audit has also been moved to the 30 November 2022.

### **Publication of the Draft Unaudited Accounts**

- 3.7 The draft accounts were completed in line with the deadline of the 31 July and were published on the Council’s website on the 29 July 2022, along with the Annual Governance Statement, both are appended to this report, and are also available on the link below:

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

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

- 3.8 To assist understanding the main statements and notes contained in the draft accounts narrative is included in Appendix 4 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

- 3.9 Appendix 5 of this report provides a summary of the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and changes to the accounts since publication of the draft accounts prior to the commencement of the external audit.
- 3.10 The deficit reported in the Comprehensive Income and Expenditure and Movement in Reserves Statement(s) of £28.123m differs from the balanced outturn position previously reported to Policy and Resources Committee on the 8 June 2022. 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 2020/21 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.

### **Financial Management Code**

- 3.11 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 and members to ensure compliance. In doing this the Director of Resources as Section 151 Officer, will be supported to achieve a 'Good' rating for financial management. Appendix 3 provides the latest self-assessment and monitoring against the principles and standards, which sets out the current position of the Council and demonstrates compliance with the Code. Officers will continually be working towards improvements, and this will be supported through strategic decisions on our financial sustainability and resilience of the finances and governance of the Council. There is a continuous assessment of the Council against these requirements, and it is recommended that these are reported back to the Committee as a minimum annually as part of the Statement of Accounts.

### **Annual Governance Statement**

- 3.12 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.
- 3.13 The AGS has, as in previous years, 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.

- 3.14 The draft AGS reports the outcome of the annual review of the effectiveness of its governance framework. Key elements of the review included:
- Completion of Governance Assurance Statements by each of the Council's Senior Leadership Team (SLT), with additional returns by the S151 and Senior Information Risk Owner (SIRO) Officers for their formal roles.
  - 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 2022/23 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 Department for Levelling Up, Housing and Communities (DLUHC) assurance reviews, Corporate Peer Challenge, Independent Panel and External Audit annual report.
- 3.15 The Annual Governance Statement 2021/22 covers the period from 1 April 2021 to 31 March 2022 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.
- 3.16 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 2021/22.
  - A summary of the significant action taken during 2021/22 in respect of the three Significant Governance Issues identified in last year's AGS.
  - A summary of the actions planned in 2022/23 to address the two Significant Governance Issues identified from this year's annual governance review.
- 3.17 The Audit and Risk Management Committee and Corporate Governance Group will receive updates during 2022/23 on progress being made to address the Significant Governance Issues included in this year's report.

### **Public Inspection Period**

- 3.18 The public inspection of the accounts began on the 1 August 2022. Members of the public and other interested parties had thirty working days (until 12 September 2022) to request access to documents relating to the financial statements for 2021/22 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)

### **Arrangements for External Audit**

- 3.19 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.
- 3.20 Grant Thornton are currently undertaking the audit and under local government legislation Grant Thornton 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).
- 3.21 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.
- 3.22 Subject to satisfactory completion of the audit by Grant Thornton, The Audit Findings Reports 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 following the change in the regulations is 30<sup>th</sup> November 2022, however, the audit will go beyond this date and 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 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 Wirral Plan 2026 in a timely manner to ensure resources are allocated in line with strategic priorities.
- 4.3 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.

### **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 account. 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**

6.2 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 2021/22 were out for public inspection and currently 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 31 July 2022 deadline

## **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. Please contact Diane Grisdale if you would like this document 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 2021/22

Appendix 2 – Draft Annual Governance Statement 2021/22

Appendix 3 – Financial Management Code Assessment 2021/22

Appendix 4 – Glossary of Terms

Appendix 5 – Summary Statements and changes to accounts

## BACKGROUND PAPERS

### Statement of Accounts and Financial Management Code

- 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 2021/22
- CIPFA Financial Management Code 2019

### Annual Governance Statement

- CIPFA / SOLACE Framework Delivering Good Governance in Local Government
- Guidance – CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21
- Meeting the Principles of Good Governance – The Impact Of The Covid-19 Pandemic
- Briefing from the CIPFA Better Governance Forum

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee – Statement of Accounts for 2020/21 for Wirral Council & Merseyside PF	24 January 2022
Audit & Risk Management Committee – Statement of Accounts for 2019/20 for Wirral Council & Merseyside PF	11 January 2021
Audit & Risk Management Committee Annual Governance Statement	5 July 2021
Audit & Risk Management Committee Annual Governance Statement	21 September 2020
Audit & Risk Management Committee – Statement of Accounts for 2018/19 for Wirral Council & Merseyside PF	23 September 2019