

Crawley Borough Council

Report to Audit Committee

21 November 2023

Approval of the 2021/22 Statement of Accounts

Report of the Head of Corporate Finance – FIN/641

1. Purpose

- 1.1. The purpose of this report is to seek member approval of the 2021/22 Statement of Accounts.

2. Recommendations

- 2.1. That the Committee gives approval for delegated permission for the Chair of the Audit Committee and the Head of Corporate Finance to sign the Statement of Accounts, Annual Governance Statement and Letter of Representation, with the exception of any material errors that impact on the general fund position.

3. Reasons for the Recommendations

- 3.1. The Chief Finance Officer (Section 151 Officer) retains responsibility for the preparation of the Statement of Accounts and is required to certify that they give a true and fair view of the financial position of the Council for the year ended 31 March 2022.
- 3.2. As detailed in the report to Audit Committee on the 20 March 2023, the Council has a statutory responsibility to approve the Statement of Accounts by 30 September, or as soon as reasonably practicable after the audit if the audit has not been concluded by that date.
- 3.3. As at 30 September the audit had not been concluded. As detailed in the Final Audit Results Report submitted by the Council's external auditors, Ernst & Young LLP, the audit work in respect of their opinion is substantially complete.
- 3.4. This Committee has delegated authority to approve the accounts, however due to a final few items relating to the completion of the audit procedures being outstanding at the date of their report, it is likely that delegated permission be used for the Chair of the Audit Committee and the Head of Corporate Finance to sign the Statement of Accounts, Annual Governance Statement and Letter of Representation subject to any material errors that impact on the general fund position coming out of the final procedure items of work.

4. Background

- 4.1. The Accounts and Audit Regulations 2015 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the Statement of Accounts to

be approved by a resolution of a committee and for the Chair to sign the accounts. The Accounts and Audit (Amendment) Regulations 2021 have moved the latest date for approval to 30 September 2022, though the 2015 regulations allow the approval to be as soon as reasonably practicable after the audit if the audit has not been concluded by this date.

- 4.2. The format and content of the accounts is largely prescribed by regulation and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting (the Code). It is a requirement that the accounts are arranged with all core financial statements grouped together followed by all notes to these statements in a separate section. The supplementary statements, Housing Revenue Account (HRA) and Collection Fund, are grouped separately with their corresponding notes section.

5. Audit of Accounts for 2021/2022 - changes since March report

- 5.1. The audited 2021/2022 Statement of Accounts is attached as Appendix A. It incorporates the 'Summary of adjusted differences' detailed in the Final Audit Results Report.

6. Going Concern Report

- 6.1. International Audit Standards require the Audit Committee to provide confirmation that the 2021/2022 Statement of Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.
- 6.2. The main issues around the application of the 'going concern' concept are to consider the medium-term financial plans and cash flow forecasts in existence to ensure the continuing operation of the Council. CIPFA has issued specific guidance on how local authorities should report their going concern statement. Whilst this guidance confirms that local authorities cannot cease to be a going concern, or be liquidated or cease to operate, it suggests areas that should be reported to give assurance to the Council about the organisation's current and future financial position.
- 6.3. An All-Member Finance Seminar was held on 8 November 2023. This addressed the financial challenges currently being faced by the Council and the external factors that continue to directly and indirectly affect the Council's operations and financial position. The seminar also detailed the mitigations being put in place to secure the financial position of the Council in for the year ahead. The Budget Strategy will be reported to Cabinet on 27 November 2023.
- 6.4. Budget monitoring will continue to be undertaken regularly with monthly monitoring introduced for key service areas. The Council's cashflow projections through to March 2025 show the Council has sufficient cash for its services throughout the medium term. The Council is also able to borrow short term for revenue purposes, though it is not expected for this to be necessary.
- 6.5. The Council concludes that it is appropriate to prepare the financial statements on a going concern basis and that no material impact exists relating to the Council's ability to continue to provide its statutory services based on the review of the forecasted reserve and cash position 12 months from the date of approval of the financial statements.

7. Annual Governance Statement

7.1. The Accounts and Audit Regulations 2015 establish requirements relating to systems of internal control, and the review and reporting of those systems. Internal control and risk management are recognised as important elements of good corporate governance. The regulations state that:

“A relevant authority must ensure that it has a sound system of internal control which—

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
- (b) ensures that the financial and operational management of the authority is effective; and*
- (c) includes effective arrangements for the management of risk.”*

7.2. The Council is required to produce an Annual Governance Statement in line with guidance contained in the CIPFA/SOLACE document “Delivering Good Governance in Local Government”. The Annual Governance Statement for 2021/22 was considered and endorsed by the Audit Committee at its meeting held on 25 July 2022 (minute 10 of that meeting refers).

8. Background Papers

- [Financial Outturn 2021/22 – Report to Cabinet 06/07/2022 \(FIN/572\)](#)
- The Accounts and Audit Regulations 2015
- The Accounts and Audit (Amendment) Regulations 2021
- Code of Practice on Local Authority Accounting in the UK 2021/2022 (Chartered Institute of Public Finance and Accountancy)
- Guidance Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)
- [CIPFA “Understanding Local Authority Financial Statements”](#)
- [Audit Committee minutes 25 July 2022](#)

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