

Report to	Governance and Audit Committee
Date of meeting	20 th September 2023
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Steve Gadd, Head of Finance and Audit
Title	Approval of Statement of Accounts 2021/22

1. What is the report about?

The council has a statutory duty to produce a statement of accounts that complies with approved accounting standards. The audited accounts have to be formally approved by elected members on behalf of the council. This responsibility has been delegated to the Governance and Audit Committee.

2. What is the reason for making this report?

The financial statements for 2021/22 were approved, subject to audit, by the Head of Finance and Audit on 27th June 2022 (2nd August the previous year). The draft accounts were presented to Corporate Governance Committee on 27th July 2022 and were open to public inspection from 15th July to 11th August. The approval of the audited accounts has been delegated to the Governance and Audit Committee.

The Statement of Accounts is produced in compliance with the International Financial Reporting Standards (IFRS). The Chartered Institute of Public Finance & Accountancy (CIPFA) produces the IFRS based Code of Practice on Local Authority Accounting and the council has produced the 2020/21 accounts in compliance with the Code.

The accounts include an unqualified audit opinion and audit certificate. Wales Audit Office will update the Committee if there are any new issues to report on.

3. What are the Recommendations?

3.1 To note the position as presented in this report and update the Forward Work Programme accordingly.

4. Report details

4.1 Background

As explained to previous Governance and Audit Committee meetings the task of ensuring that the Statement of Accounts for 2021/21 can be signed off by Audit Wales has taken longer than expected. In short this was due to three factors:

- Continuing issue of resource difficulties for AW that resulted in delays to the audit work and a number of staffing changes throughout the audit.
- An update was provided at the November 2022 Meeting regarding an issue that impacted all Welsh local authorities. This involved the requirement of the CIPFA LASAAC Code of Practice for Local Authority Accounting in the United Kingdom (the Code) that infrastructure assets be measured using the historical cost measurement basis and carried at depreciated historical cost. In particular, there were concerns around the practical difficulties in applying component accounting for the recognition and de-recognition of replaced components of infrastructure assets as most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will have treated the amount of the replaced component as zero. This issue was resolved in early December when the Welsh Government passed a statutory override in respect of this issue, whilst a permanent solution is developed within the Code which will improve financial reporting in this area. It had been hoped after this that we would be able to finalise the accounts for either the January or March meetings.
- It also has to be recognised that there were issues that have been picked up around asset valuations that were specific to Denbighshire and which involved a great deal of work to rectify – this is what has caused the further delay. These are detailed in the AW report so have not been reproduced here.

However, we have continued throughout to work closely with AW to agree a route path to gaining an unqualified opinion on the accounts and we committed in March to ensure that all work would be complete to be able to present the Final Audited Accounts to the

committee in September. It is really pleasing that we have managed to achieve this revised deadline.

5. How does the decision contribute to the Corporate Priorities?

The publication of the Statement of Accounts underpins the financial stewardship and governance of the Council and therefore supports all council services and priorities.

6. What will it cost and how will it affect other services?

There are no additional direct cost implications as a result of this report.

7. What are the main conclusions of the Well-being Impact Assessment?

It is the professional judgement of the Section 151 Officer that a Well-being Impact Assessment is not required for this report.

8. What consultations have been carried out with Scrutiny and others?

The council's procedures and processes underpinning the production of the accounts are regularly reviewed by Audit Wales. Professional opinions are drawn from numerous other disciplines beyond finance, such as legal, property valuation, human resources and pensions.

9. Chief Finance Officer Statement

The Statement of Accounts is a key element of the Council's governance framework. It is important that elected members are assured that the accounts have been produced in compliance with the relevant standards and that the process underpinning the production of the accounts is robust. Although it is disappointing that the timetable has slipped again this year, we continue to work closely with our Audit Wales colleagues to ensure a satisfactory outcome.

I would like to register my gratitude to all the DCC Finance team and Audit Wales colleagues for working closely to achieve a satisfactory outcome to the 2021/22 accounts.

10. What risks are there and is there anything we can do to reduce them?

Without undertaking the additional work on the asset register it would have resulted in the Statement of Accounts being the subject of an audit qualification by limitation until the issues could be resolved satisfactorily. It is pleasing that this risk has now been averted.

11. Power to make the decision

Local Authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. The appointed auditor is required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council and must be satisfied that the accounts have been completed in compliance with the Accounts and Audit (Wales) Regulations 2018.