

ACCOUNTING POLICIES AND STATEMENT OF ACCOUNTS	
Executive Summary	<p>This report allows the Governance, Risk and Audit Committee to consider and approve the accounting policies that will be applied to the Statement of Accounts for 2023/24. It also informs the Committee of any Accounting Standards that have been issued but that are not yet adopted.</p> <p>It also provides an update for the Committee on the proposed actions and process for catching up with the national backlog of local government audits.</p>
Options considered	There are no other options available. Accounting policies are a statutory requirement.
Consultation(s)	
Recommendations	<p>The committee is requested to approve the accounting policies that will be applied to the Statement of Accounts for 2023/24.</p> <p>The Committee is also requested to note the progress of completion of prior years' Statements of Accounts and how they will be audited under the government's proposed cross-system measures that are being put in place to clear the backlog.</p>
Reasons for recommendations	To ensure that the Statement of Accounts for 2023/24 is prepared using proper accounting practices as required by the Local Government Act 2003.
Background papers	<p>Prudential Code (CIPFA)</p> <p>The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (CIPFA)</p>

Wards affected	All
Cabinet member(s)	Councillor Lucy Shires
Contact Officer	Tina Stankley, Director for Resources Tina.stankley@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan:	Financial Sustainability and Growth – The Council needs to produce the accounts each year so that it can demonstrate how resources have been used and so the Council maintains an accurate record of the resources it has available for future use.
Medium Term Financial Strategy (MTFS)	There are no direct financial implications surrounding the publication of the Statement of Accounts.
Council Policies & Strategies	

Corporate Governance:	
Is this a key decision	No
Has the public interest test been applied	Not an exempt item
Details of any previous decision(s) on this matter	N/A

1. Purpose of the report

- 1.1. This report allows the Governance, Risk and Audit Committee to consider and approve the accounting policies that will be applied to the Statement of Accounts for 2023/24.
- 1.2. To provide the Committee with an update on the progress of completion of the Statement of Accounts for 2021/22 and 2022/23 and how they will be audited under the government's proposed cross-system measures that are being put in place to clear the backlog of local government audits.

2. Introduction

- 2.1. This report details the accounting policies that will be applied in preparing the Statement of Accounts for 2023/24.
- 2.2. The Statement of Accounts for 2020/21 have been audited and published on the Council's website.
- 2.3. Statement of Accounts for 2021/22 and 2022/23 have been delayed and the reasons are explained below.

3. Overview

Accounting Policies

- 3.1. It is the responsibility of those charged with governance (the Governance, Risk and Audit Committee) to consider and agree the accounting policies to be applied to the statement of Accounts for the year ended 31 March 2024.
- 3.2. The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2024.
- 3.3. The accounting policies are the specific principles, bases and conventions, rules and practices applied by the Council in preparing and presenting the financial statements. The accounting policies are included in Appendix A.
- 3.4. It should be noted that it is recommended practice for Council's to only adopt accounting policies that are relevant to their Statement of Accounts. If during the preparation of the Accounts and external audit issues arise that require additions to the adopted policies, the Committee will be updated of any subsequent changes.

Accounting Standards that have been issued but not yet adopted

- 3.5. Ordinarily any Accounting Standards that have been issued but not yet adopted would be reported here as part of this annual report to this Committee, so that the Committee is aware of them.
- 3.6. The Council is required to disclose information in the notes to the Statement of Accounts relating to the impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Council. The Council is required to make a disclosure of the estimated effect of the new standard in the financial statements.
- 3.7. However having said this, there are as yet no Accounting Standards that have been issued but not yet adopted that would need to be reported in the Statement of Accounts to inform Members about.

Update on Outstanding Statement of Accounts

- 3.8. The Council prepares its Accounts in line with CIPFA Code of Practice for Local Authority Accounting.
- 3.9. This Council, like many other Councils, is behind on getting its Statement of Accounts signed off and audited. In November 2023 the Public Sector Audit Appointments (PSAA), the body responsible for procuring audit services for most local authorities, announced that only 1% of 2022/23 local authority accounts had audits published by the 30 September 2023 publication date, and that brought the total number of delayed audits since 2015/16 to 918 (not far off an average of 3 sets of accounts per local authority in England). North Norfolk District Council has 2 sets of accounts unaudited i.e. 2021/22 and 2022/23.
- 3.10. The impact of Covid remains a contributing factor to the backlog of the completion of external audits with the system struggling to catch up. There is also the issue of a national shortage of accountancy staff and auditors with the level of skills and experience required to undertake some of the more complex areas of work e.g. Collection Fund Accounting, Capital Accounting and the closure of accounts.
- 3.11. Staff shortages in the Finance Team are being addressed. An Interim Assistant Director of Finance joined in December 2023 to provide additional capacity. Following a successful recruitment an appointment has been made to the Chief Technical Accountant post which has been vacant for close to 2 years; a post which when filled will fill the gaps which have contributed to the delays in production of the Statement of Accounts and those skills gaps outlined above.
- 3.12. The Finance Team also has an interim member of staff whose primary responsibility is the production of the Statement of Accounts for 2021/22 and 2022/23. Closedown of the accounts for 2023/24 will be undertaken by the remainder of the Finance Team as business as usual. The following table summarises the action plan to deal with the backlog:

Year	Work Stream	Date for Completion
2021/22	Draft Statement of Accounts	31 March 2024
2022/23	Draft Statement of Accounts	30 May 2024
2023/24	Outturn Report	Report to Cabinet – 8 July 2024

- 3.13. The draft Statement of Accounts for 2023/24 will be subject to external audit by Ernst and Young, who are very busy trying to catch up on the completion of many outstanding audits. As a result of this it is not possible to provide an exact date for when the audit will be completed as it will depend on when they can now fit the audit in, however following a recent meeting an indicative date of audit being undertaken in August with a view to sign off by November 2024 has been discussed.
- 3.14. The Statement of Accounts for 2021/22 and 2022/23 are very unlikely to be the subject of the in-depth audit that might ordinarily be expected. External audit will still involve testing to gain assurance of the overall financial position and value for money work will still be undertaken for each financial year. This is recognition of the backlog, level of resources in the system and the proposed reset as outlined in paragraph 3.12.
- 3.15. As previously mentioned, there is a backlog in the publication of audited accounts of local authorities in England. The number of outstanding opinions peaked as at 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.
- 3.16. In July 2023, the Minister for Local Government published a cross-system statement to Parliament setting out proposals to tackle the backlog. Since then, organisations involved in the regulation and oversight of local authority financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. This has resulted in a consultation being issued which closed on 7 March 2024 proposing a 3-phase approach:
- **Phase 1: Reset** involving the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
 - **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
 - **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
- 3.17. The sector now awaits the outcome of the Consultation to see what the final arrangements will be.

4. Corporate Priorities

- 4.1. Financial Sustainability and Growth – The Council needs to produce the accounts each year so that it can demonstrate how resources have been used and so the Council maintains an accurate record of the resources it has available for future use.

5. Financial and Resource Implications

5.1. There are no direct financial implications surrounding the publication of the Statement of Accounts

Comments from the S151 Officer:

Approval of the policies ensure the Statement of Accounts is prepared using proper accounting practices as required by statute.

6. Legal Implications

6.1. The Council has not met the statutory requirements to publish and audited Statement of Accounts for 2021/23 or 2022/23 and is highly unlikely to do so for 2023/24.

Comments from the Monitoring Officer

No specific legal or governance issues beyond that detailed in the report

7. Risks

7.1. To ensure that the Statement of Accounts is prepared using proper accounting practices as required by statute.

7.2. Potential adverse audit outcomes of not having approved policies.

8. Net Zero Target

8.1. None as a direct consequence of this report.

9. Equality, Diversity & Inclusion

9.1. None as a direct consequence of this report

10. Community Safety issues

10.1. None as a direct consequence of this report.

Conclusion and Recommendations

To approve the Accounting Policies that will be applied to the Statement of Accounts for 2023/24.

To note the update on the progress of outstanding Statements of Accounts for 2021/22 and 2022/23.