

**Performance and Resources Scrutiny Programme 2022/23**  
**Report to: the Office of the Police, Fire and Crime Commissioner for Essex**

<b>Title of Report:</b>	<b>2022/23 Closure of Accounts Briefing and Timetable</b>
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## **1.0 Purpose of Report**

- 1.1 This report sets out options for the 2022/23 closure of accounts timetable for producing the Statement of Accounts, Annual Governance Statement and Narrative Report, hereby referred to as the Statement of Accounts.
- 1.2 The Statement of Accounts referenced within this briefing paper covers both the Chief Constable and the Police, Fire and Crime Commissioner (PFCC) Group accounts.

## **2.0 Recommendations**

- 2.1 The PFCC is recommended to note the activity and timetable for producing and publishing the unaudited draft Statement of Accounts and, following the conclusion of the statutory audit, the publication of the audited Statement of Accounts and approve either:
- a) The timetable for meeting the statutory closure of accounts deadlines; or
  - b) The extended timetable after taking into consideration the risks of adhering to 'Option A', which are set out within this report (recommended option).

### **3.0 Executive Summary**

- 3.1 The statutory dates for publishing the 2022/23 draft unaudited Statement of Accounts for the Chief Constable, PFCC and PFCC Group is 31<sup>st</sup> May 2023 and 30<sup>th</sup> September 2023 for the audited accounts. A draft timetable to achieve these statutory deadlines is contained in Appendix A alongside a recommended extended timetable.
- 3.2 Ordinarily it would be recommended that the closure timetable is set to achieve statutory deadlines however, due to the risk of this impacting on the material accuracy of the accounts (see section 4) and increasing the risk of the accounts not being signed by the auditors or a qualified opinion being issued, it is proposed that for the 2022/23 accounts the extended closure time detailed in Appendix A is followed instead.

### **4.0 Introduction / Background**

- 4.1 The Accounts and Audit Regulations 2015 require the PFCC and Chief Constable to publish draft unaudited Statement of Accounts signed by the respective Section 151 officers by 31<sup>st</sup> May and the audited Statement of Accounts by 31<sup>st</sup> July. However, in response to issues faced by public bodies and auditors from the global pandemic, on 9<sup>th</sup> March 2021 the government laid regulations amending these deadlines with the Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263). The amendments effectively provided a temporary extension of the statutory deadlines to 31<sup>st</sup> July for the publication of the draft unaudited Statement of Accounts and 30<sup>th</sup> September for the audited Statement of Accounts. This related to the production of the accounts for both the 2020/21 and 2021/22 financial years.
- 4.2 The amendments were the first action that the government completed in response to recommendations of the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting for relevant bodies including Police forces.
- 4.3 Subsequent to this the Accounts and Audit (Amendment) Regulations 2022 have provided a further extension for the 30<sup>th</sup> September deadline in relation to the 2022/23 audited Statement of Accounts, which also encompasses the period up to and including the 2027/28 financial years. However, at present there has been no further extension to the deadline for publication of the *draft* Statement of Accounts and thus for the 2022/23 accounts the deadline reverts back to 31<sup>st</sup> May 2023. It is important to note that these dates remain subject to further change as the proximity to year-end gets closer.
- 4.4 In addition to needing to comply with International Financial Reporting Standards when compiling the accounts, the force is statutorily obliged to comply with the CIPFA Accounting Code of Practice (referred to as “the Code”) which assists forces with interpreting and applying guidance within the Accounting Standards and overlays requirements specific to local government and police forces.

***Achievability of 31<sup>st</sup> May deadline - publication of the draft Statement of Accounts***

- 4.5 The Force and PFCC Section 151 Officers (The Chief Constable's Chief Finance Officer and the PFCC's Strategic Head of Performance and Resources) are the officers with statutory responsibility for signing the accounts to confirm that in their opinion they are materially accurate. Both officers have to satisfy themselves that this is the case before approving the accounts for publication.
- 4.6 To produce a set of accounts for an organisation the size of Essex Police and the PFCC Group requires substantial input due to their complexity and to do so within eight weeks of the end of the financial year would require considerable resource and commitment, not only from the Corporate Finance team but from the organisation, its senior leaders and those charged with governance. The external auditors, in their Audit Findings Report reported to the Joint Audit Committee on 25<sup>th</sup> November 2022 advised that:
- "The reason why your finance team were unable to fully service the audit in a timely manner was a matter of capacity".
- 4.7 It should also be noted that delays in the completion of the audit for the 2021/22 accounts is having a knock-on impact on the finance team's ability to start work on the 2022/23 accounts which, under normal circumstances, would have commenced prior to Christmas.
- 4.8 It would be possible to produce a set of accounts within the statutory deadlines but to do so would require a greater use of estimates which comes at a greater risk of the accounts not being materially accurate which is something that the Section 151 officers would need to consider before signing the accounts. For example, to produce the accounts requires information from third parties which, if not received in time would need to be estimated. To produce accounts ready for publication by 31<sup>st</sup> May and take through the governance boards would require adjusting entries in the accounts to be loaded into the ledger by 4<sup>th</sup> May. Two examples of issues with this date are:
- i) IAS19 information needed for calculating the pension fund liabilities were not received until 25<sup>th</sup> May last year (it is possible that we could receive these earlier if we pay an additional fee of approximately £2,000 to the pension fund valuers). In the 2021/22 accounts these adjustments totalled £140m. It would not be possible to estimate these without a significant risk for a material misstatement.
  - ii) Collection Fund returns from billing authorities needed to calculate council tax-related assets and liabilities on the balance sheet were not received until June and July last year. Due to the widely known issues with public sector audits other public bodies are facing significant delays impacting on their ability to produce their own accounts and whereas previously all local authorities were working to

the same deadlines, this is now not the case.

- 4.9 It is widely accepted by the public sector that the condensed closure deadline dates are not achievable. An amendment to regulations has been made for the publication of the audited accounts and it is possible that there will be a late amendment to regulations for the 31<sup>st</sup> May date. Corporate Accounting staff members are due to attend closure briefings from the Chartered Institute of Public Finance (CIPFA) in February where it is hoped that some clarity will be provided on any potential further extensions. For the time being however Corporate Finance are taking the prudent assumption that the statutory dates will remain unchanged until we are advised otherwise.

***Achievability of the deadline of 30<sup>th</sup> September - publication of the audited Statement of Accounts***

- 4.10 Discussions with the external auditors (Grant Thornton) have already confirmed that the audit will not commence until very late June or into July and that they will not be expecting to sign by the September deadline. Although it is anticipated that the majority of the audit work will be completed by the end of September the sign off for the pension fund audit is not expected until November and this is the date that they will be working to. The statutory date is for publishing audited accounts for the Chief Constable and the PFCC however there is no statutory requirement for the auditors to sign the accounts and issue an audit opinion by this date.

**5.0 Current Work and Performance**

- 5.1 2021/22 was the second year of working to the temporary deadlines of 31<sup>st</sup> July and 30<sup>th</sup> September. The actual date achieved for publishing the draft accounts was 29<sup>th</sup> July, having been signed on 25<sup>th</sup> July. In respect of the final accounts however these have not been signed or published at the time of writing.
- 5.2 The audit process for the completion of the 2021/22 accounts has been drawn out and has taken considerably longer than originally anticipated. One of the main reasons for this has been Essex Police moving into the 'Major Local Audit' status based on its gross revenue expenditure breaching the £500m threshold. This has meant the breadth of the work required to be undertaken by Grant Thornton has increased significantly, including more detailed review work, more extensive sampling exercises and a more robust approach to compliance in respect of the accounts content.
- 5.3 Resourcing issues to support the audit on the Corporate Finance side has also been an issue, with Grant Thornton latterly also having to manage their work on the force accounts alongside other client engagements happening simultaneously. Some complex technical issues in relation to historic non-current assets and their proposed treatment in the 2021/22 accounts has contributed to the delay, however similar to 2020/21 the

auditors were also not prepared to sign-off the accounts until they had the assurance from the separate Essex Pension Fund audit. These assurance letters were not received until 22<sup>nd</sup> December with Grant Thornton not completing their related work until after Christmas. Final review work on the audit has also resulted in some further work to follow up for Corporate Finance, mainly again in relation to historic non-current assets treatment. This work has now been completed and it is hoped that the accounts will be in a position to be signed by the end of January or the first week of February at the latest.

### ***Proposed approach***

- 5.4 Taking into account the risks around achievability of meeting the statutory deadlines covered in section 4 an extended timetable is proposed alongside the statutory timetable in Appendix A. This is the recommended option to ensure that the Section 151 officers are in a position to be able to sign a materially accurate set of accounts. Ordinarily it would not be recommended that statutory deadlines are missed however it is widely accepted nationally that there are significant issues with the tighter statutory timelines and that the need to have materially accurate accounts overrides this, as to not achieve the latter would ultimately lead to the auditors not signing the accounts or issuing a qualified audit opinion.
- 5.5 If the extended timetable is agreed for 2022/23, Corporate Finance are planning for the unaudited Statement of Accounts to be signed by the two Section 151 Officers by 29<sup>th</sup> June with the audited version to be published by 30<sup>th</sup> November, but with the majority of the audit work that is within the control of the Chief Constable and the PFCC being completed by the end of September.
- 5.6 Initial discussions have been held with Grant Thornton and, as mentioned in section 4 they are planning to commence the audit in late to early July. The exact dates for the main on-site inspection in the summer are still to be confirmed by Grant Thornton.
- 5.7 The main activities for producing the unaudited Statement of Accounts include year-end accruals, production of the provisional outturn report, technical accounting transactions (for capital, pension, council tax, debtors & creditors, accumulated holiday absences, financial instruments) and production of the core financial statements and notes to the accounts. Some of this activity relates to information from external organisations and we liaise with these organisations to ensure we receive this information in a timely manner, and challenge/query any assumptions or discrepancies as deemed appropriate.
- 5.8 A timetable of the key dates for meeting both the statutory Statement of Accounts closure deadlines and the proposed extended deadlines is shown at **Appendix A**.

### **6.0 Implications (Issues)**

- 6.1 Implications of both timetables are covered in sections 4 and 5.

## **7.0 Links to Police and Crime Plan Priorities**

7.1 The Statement of Accounts links to all priorities within the Police and Crime Plan.

## **8.0 Risks/Mitigation**

8.1 If statutory deadlines for publishing the Statement of Accounts are not met this could lead to reputational damage for the force and may impact on future contracts with suppliers. However, it is widely acknowledged that at the current time there are significant issues with the timing of accounts production, and their related external audit process. The risk of producing a set of accounts that is not materially accurate is considered a higher risk to reputation and therefore the mitigation is to follow the extended closure timetable set out in Appendix A.

## **9.0 Equality and/or Human Rights Implications**

9.1 There are no impacts on equality in producing the Statement of Accounts.

## **10.0 Health and Safety Implications**

10.1 There are no Health and Safety implications in producing the Statement of Accounts.

## **11.0 Consultation / Engagement**

11.1 The Chief Constable's Chief Finance Officer (Section 151 Officer) and the Head of Corporate Accounting and Head of Business Partnering and Management Accounting have been consulted during the production of this timetable. The PFCC's Head of Finance (Section 151 Officer) will be consulted ahead of the board meeting.

## **12.0 Actions for Improvement**

12.1 None.

## **13.0 Future Work/Development and Expected Outcome**

13.1 There are no major presentational change requirements within the main body of the Statement of Accounts for 2022/23.

13.2 A review of the work undertaken during the 2021/22 accounts process and the related audit has been actioned with a follow-up plan identified with various action points arising. Whilst the content of the 2021/22 accounts has been thoroughly reviewed as a result of the 'Major Local Audit' categorisation, some ongoing improvements have been recommended in the draft Audit Findings Report and these will be followed up in the planning work for the 2022/23 accounts. In addition, the annual asset valuation exercise

work has been brought forward to February this year, so as further review work can be built into the timetable following the completion of this complex area of work.

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## APPENDIX A

2022/23 Closure Timetable – Key Dates		
Dates to meet Statutory Deadlines	Dates for Extended Deadlines (recommended option)	Activity
Wednesday 17 <sup>th</sup> May	Wednesday 17 <sup>th</sup> May	Provisional Outturn Report, Treasury Management Outturn and Statement of Accounts extracts (including Draft Narrative Report and Remuneration Notes) presented to COG
Thursday 18 <sup>th</sup> May (Extraordinary PRSB required)	Wednesday 31 <sup>st</sup> May	Provisional Outturn Report, Treasury Management Outturn and Statement of Accounts extracts (including Draft Narrative Report and Remuneration Notes) presented to PFCC Performance, Resources and Scrutiny Board
Wednesday 24 <sup>th</sup> May (Extraordinary COG required)	Wednesday 14 <sup>th</sup> June	Draft unaudited Statement of Accounts (including Narrative Report and AGS) presented to COG
Friday 26 <sup>th</sup> May (Extraordinary JAC required)	Friday 16 <sup>th</sup> June	Draft unaudited Statement of Accounts (including Narrative Report and AGS) presented to Joint Audit Committee
Friday 26 <sup>th</sup> May (Extraordinary Strategic Board required)	Thursday 22 <sup>nd</sup> June	Draft unaudited Statement of Accounts (including Narrative Report and AGS) presented to PFCC Strategic Board
Wednesday 31 <sup>st</sup> May	Thursday 29 <sup>th</sup> June	Unaudited Statement of Accounts to be signed by Section 151 Officers for Chief Constable and PFCC
Wednesday 31 <sup>st</sup> May	Friday 30 <sup>th</sup> June	Signed unaudited Statement of Accounts published on external websites
Thursday 1 <sup>st</sup> June	Monday 3 <sup>rd</sup> July	Start of public inspection and right of challenge period, for unaudited Statement of Accounts
July - September	July - November	Statutory external audit inspection by Grant Thornton commences
Wednesday 20 <sup>th</sup> September	Friday 24 <sup>th</sup> November (Extraordinary or	Closure update report presented to COG (Including Audited Statement of Accounts or latest draft)



	virtual COG required)	
To Be Confirmed	To Be Confirmed	Audit opinion issued by Grant Thornton
Friday 22 <sup>nd</sup> September	Monday 27 <sup>th</sup> November (Extraordinary JAC required)	Annual Audit Findings Report and final Statement of Accounts report presented to Joint Audit Committee
Tuesday 26 <sup>th</sup> September	Tuesday 28 <sup>th</sup> November (Extraordinary Strategic Board Required)	Annual Audit Findings Report and final Statement of Accounts report presented to PFCC Strategic Board
Friday 29 <sup>th</sup> September	Thursday 30 <sup>th</sup> November	Audited Statement of Accounts published on external websites
Friday 29 <sup>th</sup> September	Thursday 30 <sup>th</sup> November	Completion of Audit Notice published on external websites

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