

PFCC/-/23

Meeting: Audit Committee

Date: 16th June 2023

2022/23 Unaudited Statement of Accounts

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Chief officer approval obtained from: DCC Andrew Prophet

Date of approval: COG and PFCC through Decision Report 31st May 2023

1.0 Purpose of Report

This report sets out the unaudited Statement of Accounts for 2022/23 that have been published on the Essex Police and Essex Police, Fire and Crime Commissioner's websites for the Chief Constable, and the PFCC/Group. These are attached at Appendix A and B.

2.0 Recommendations

The committee is requested to note the finalised unaudited Statement of Accounts which include updates following the extraordinary meeting on 25th May.

3.0 Benefits of Proposal

The unaudited accounts for the PFCC Group and the Chief Constable were signed by the respective Section 151 officers and published on the external websites on the 31st May (the statutory deadline). This allowed the six week public inspection period to commence on 1st June.

The external auditors, Grant Thornton, are yet to confirm when the statutory inspection will commence but it is hoped that this will be in time for the statutory deadline of publishing final audited accounts by 30th September.

4.0 **Background and Proposal**

Background

The Accounts and Audit Regulations 2015 require the PFCC and Chief Constable to publish unaudited Statement of Accounts signed by the respective Section 151 officers by 31st May and the audited Statement of Accounts by 31st July. However, in response to issues faced by public bodies and auditors following the global pandemic, on 9th 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 31st July for the publication of the draft unaudited Statement of Accounts and 30th 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. 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.

Subsequent to this the Accounts and Audit (Amendment) Regulations 2022 have provided a further extension for the 30th 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. Although forces and local authorities requested a further extension to the 31st May date for the unaudited Statement of Accounts through a formal consultation, it was confirmed by DHLUC that the date would revert back to 31st May.

The draft unaudited Statement of Accounts for 2022/23 for the Chief Constable and the PFCC/Group were considered by the Joint Audit Committee (JAC) at an extraordinary meeting on 25th May, the Chief Constable's Chief Officer Group on 26th May and an extraordinary board of the PFCC on 30th May before being signed by the respective Section 151 Officers and then published by the statutory deadline on 31st May.

It has been extremely challenging to achieve this statutory date and it has only been possible with an immense amount of discretionary effort from the Chief Constable's Corporate Finance Team and the support of the PFCC's Finance Team.

Current position

The year-end appropriation from the General Reserve totalled £0.116m resulting in a closing year-end General Reserve balance of £13.394m (3.8% of net revenue expenditure). The net earmarked reserves closed at £15.501m.

In respect of the core financial statements, the force recognised an accounting deficit on the Provision of Services of £122.797m in the Comprehensive Income and Expenditure Statement (£135.147m deficit in 2021/22) mainly relating to pensions service costs. However, Total Comprehensive Income and Expenditure equated to a surplus of £1.377bn (£89.976m surplus in 2021/22) once the upward pension and asset revaluations had been

reflected. All of these key movements and factors represented technical accounting entries processed for statutory purposes, which have no impact on the taxpayer.

A summary of the changes to the accounts since the extraordinary JAC meeting on the 25th May are listed below:

- a) Inclusion of outstanding Collection Fund responses from three authorities (Harlow, Maldon and Thurrock), the impact of which has resulted in changes to all of the core financial statements and various disclosure notes. It should be noted that these changes did *not* impact usable reserves.
- b) Additional narrative updated throughout the accounts document, including supporting notes for the Comprehensive Income and Expenditure Statements (CIES), and updated information for the Pensions and Joint Operations disclosures, such as the McCloud/Sargeant legal case and the Seven Forces (7F) consortium respectively. Some extra changes were also made to both the Narrative Report and the Annual Governance Statement (AGS).
- c) Refreshed/updated splits for non-current asset-related notes, based on more detailed analysis work being undertaken to more accurately understand the underlying movements for these areas. These include Property, Plant & Equipment, Land & Buildings – Revaluations, and the Revaluation Reserve.

Outstanding Items

Updated information was received from Essex County Council on the valuation of the Local Government Pension Scheme on 31st May 2023 which was the statutory date for publication. Two options were considered before publishing the unaudited accounts.

- i) To publish the accounts by the statutory deadline of 31st May without amending for the updated pension valuation received on the same day. The impact of this would be an overstatement of pension fund assets of £7.943m for the group which could be updated prior to publication of the final audited Statement of Accounts. At the time of writing an assessment of materiality levels to be used by the external auditors, Grant Thornton, had not been advised.
- ii) To reflect the updated pension fund asset valuation in the draft unaudited Statement of Accounts and not publish by the statutory deadline with a target date of publication of 2nd June.

Due to the lateness in receiving the pension valuation and the requirement to meet the statutory deadline for publication, option i) was agreed by the PFCC, Chief Constable and respective Section 151 Officers. This is because the adjustments that would need to be made for the late pensions valuation would not have an impact on the overall financial position reported by the group based on the regulatory requirements that determine the funding basis and the charge to the taxpayers.

Once the external auditors have advised on their view on the materiality threshold to be applied to the audit this decision will be revisited and if needed adjustments made for the final accounts. It is also possible that other adjustments may be identified before and during the audit at which point they would be assessed with due consideration to materiality.

Conclusion

The completion and final sign-off for the unaudited Statement of Accounts was achieved by the statutory deadline of 31st May and as at the time of writing, the start date for the statutory audit inspection meeting has not been confirmed. It is hoped that a verbal update will be able to be provided at the committee meeting.

5.0 Police and Crime Plan

The paper concerns the management and statutory accounting for the PFCC Group's income, expenditure and reserves, which represent the key resources underwriting all of the priorities and workstreams identified within the Police and Crime Plan.

6.0 Police Operational Implications

The link between finances and operational activity is set out in the Narrative Report included in both the Chief Constable's and PFCC/Group's draft unaudited Statement of Accounts. This includes performance data, analysis of the priorities of the Police and Crime Plan and the related progress made, as well as commentaries from the Chief Constable and the PFCC.

7.0 Financial Implications

The draft unaudited Statement of Accounts documents set out the financial performance in the year, telling the story of how local financial reporting links in to a statutory accounting presentation format. The documents include the core financial statements together with a set of related disclosures and narrative which provide supporting information for all of these statements, to assist with the reader's understanding.

8.0 Legal Implications

The Accounts and Audit Regulations 2015 came into force on 1st April 2015. The statutory requirements to publish the Statement of Accounts and the dates by which these are required, including public inspection dates, are prescribed within these regulations.

9.0 Staffing and Other Resource Implications

There are no specific staffing implications. However, the unaudited Statement of Accounts includes various employee-related information, including content relating to senior officers, within the supporting disclosures which the committee is requested to note.

10.0 Equality and Diversity Implications

There is no impact of this decision sheet in respect of issues relating to equality, diversity or human rights. The narrative report within the unaudited Statement of Accounts does however set out detail of the force's campaign to achieve a more diverse and inclusive workforce, and the progress to date which has been achieved in accordance with the overarching Diversity, Equality and Inclusion Strategy 2020-2025.

11.0 Background Papers

The key background papers are the two unaudited Statement of Accounts for the Chief Constable and the PFCC/Group.

Appendices – Draft Unaudited Statement of Accounts



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- Signed 31-05-23.pd



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