

Meeting **AUDIT COMMITTEE/STATEMENT OF ACCOUNTS COMMITTEE**

Portfolio Area: Resources and Transformation

Date: **28 February 2024**



2020/21 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

NON-KEY DECISION

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1 PURPOSE

1.1 To present the External Auditor – Ernst & Young LLP’s Audit Results Report for consideration and the audited 2020/21 Financial Report including the Statement of Accounts (SOA).

2 RECOMMENDATIONS

That the Audit committee/statement of Accounts Committee agree to delegate authority to the CFO, after consultation with the Chair of Audit Committee/Statement of Accounts Committee, to authorise changes to:

- 2.1 The Council's Letter of Representation provided no matters arise from the conclusion of the audit which are material in nature (Appendix 1).
- 2.2 The Statement of Accounts 2020/21 be approved provided no matters arise from the conclusion of the audit which are material in nature (Appendix 3).
- 2.3 That the Audit Results Report to those charged with Governance for 2020/21 be noted (Appendix 1).
- 2.4 That the Annual Governance Statement is approved (Appendix 2)

3 BACKGROUND

3.1.1 This report is presented to the Audit Committee in its capacity as the body charged with Governance. The Auditor's results report produced by the Council's External Auditors, Ernst & Young is shown at Appendix 1.

3.1.2 The 2020/21 General Fund and The Housing Revenue Account outturn position were presented to the Executive on 11 August 2021. Following the 2019/20 external audit the HRA 2020/21 balance was reduced by £56k to £25.344Million in relation to intangible asset depreciation. There were no other changes to the yearend financial position for either fund.

3.2 **Changes affecting the 2020/21 Statement of Accounts**

3.2.1 The Statement of Accounts (SOA) has to be compiled in accordance with current International Financial Accounting Standards, statutory requirements, and CIPFA published guidance. The standards and guidance may change year on year.

- **Infrastructure Assets** - in January 2023 CIPFA LASAAC published guidance on the temporary solution for accounting for infrastructure assets covering 1 April 2021 to 31 March 2025. This offers temporary relief not to report gross cost and accumulated depreciation for infrastructure assets and is now included in the CIPFA code. In accordance with the Update to the CIPFA Code on infrastructure assets the Council has chosen to adopt the temporary solution for 2020/21.
- **IFRS 16 Leases** – implementation of IFRS 16 Leases has been deferred to 1 April 2024. The Council does not expect there to be any significant impact following its implementation.

3.2.2 The **Annual Governance Statement** is shown as a separate document and is included at Appendix 2 to this report. This Committee is required to approve the SOA and the Annual Governance Statement.

3.2.3 The Council is required to send to the Council's External Auditors a Letter of Representation (Appendix 1 to follow on after completion of the audit).

4 **REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

4.1 **Statement of Accounts**

4.1.1 The Statement of Accounts is Appendix 3 to this report and is required to be signed off by Full Council or a committee delegated to do so such as the Statement of Accounts Committee.

4.1.2 Following the audit there was no change to the General Fund balance reported to executive at outturn. There was a small reduction in the HRA balance of £56k in relation to infrastructure asset depreciation. For the HRA, depreciation is not reversed out of the account as with the General Fund and is used to fund capital expenditure. The reported HRA balance at outturn was £25.4Million and this has now been reduced to £25.34Million.

4.1.3 Changes to the draft SOA, now included in the final SOA are summarised in the table below.

Movement SOA	CIES ¹ £000	Balance Sheet £000
Draft SOA	(22,013)	595,594
IAS19 Pension (note 4.1.4)	1,470	(1,470)
Recognition of LEP soft loan (note 4.1.5)	(742)	744
Fixed asset corrections (note 4.1.6)	403	(403)
HRA intangible asset depreciation	50	(50)
Change 2020/21	1,181	(1,181)
Opening balance movements relating to 2019/20 Audit (IAS 19 Pension note 4.1.4)	NA	612
Total Change In Balance Sheet	NA	567
Final SOA	(20,832)	595,027

4.1.4 Restatement of pension entries following audit of pension accounts increasing pension reserve liability and changes to equivalent balances in 2019/20 brought forward. This had no impact on General Fund or HRA but decreases unusable reserves. Members should note unusable reserves are not available to fund expenditure.

4.1.5 Notional interest is required to be accounted for in the Council's accounts for loans received at lower than commercial rates. The Local Enterprise Partnership (LEP) loans fall into this category. The impact of accounting for the notional interest is to increase unusable reserves in the balance sheet.

4.1.6 An asset was duplicated in the fixed asset register. This adjustment reflects that correction – reducing the balance sheet value of the Council's fixed assets. The valuation is for balance sheet purposes as the council doesn't hold the majority of its assets for resale or disposal.

4.2 External Auditor's Conclusion

4.2.1 As the Council's appointed Auditor, Ernst & Young LLP is required to review and report on the Council's financial statements and provide a value for money conclusion. Their draft findings and ISA 260 report are included at Appendix 1.

4.2.2 At the time of writing the report the audit had not been concluded so final minor amendments are recommended to be delegated to the CFO following consultation with the Chair of Audit Committee/Statement of Accounts Committee. The Council's auditors will be present at the Statement of Accounts meeting to update Members on the works outstanding.

4.2.3 At the time the time of writing the report, no objections were received by electors to the 2020/21 accounts.

¹ Comprehensive Income & Expenditure Statement

4.2.4 No requests were received for any further details on the Council's financial records.

4.3 CFO comments

4.3.1 The audit of 2020/21 has been challenged by the delay to the 2019/20 Audit, The Council's auditors EY position was not to restart the 2020/21 audit until the 2019/20 accounts were signed off, the latter was completed in April 2023.- . It should also be noted that delays in completion of the external audit work makes completion of the audit more difficult do due dealing with two year ends, turnover of staff etc. The current audit completion deadline being worked towards by EY is:

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4.3.2 For the SOA 2021/22 and 2022/23, E&Y will complete a value for money review only. The accounts will then be published with a disclaimer opinion based on restricted scope. The current deadline for this work to be completed is 31 March 2024.

4.3.3 The Financial Reporting Council (FRC) is supporting the Department for Levelling Up, Housing and Communities (DLUHC) to engage stakeholders on a consultation aimed at tackling the backlog in local audit and reporting.

4.3.4 The four-week consultation will gather views on legislative changes to the Accounts and Audit Regulations 2015, specifically looking at 'Backstop' Proposals for financial years 2015/2016 to 2022/2023 and 2023/2024 - 2027/2028.

4.3.5 The National Audit Office have also launched a [consultation seeking views on changes to the Code of Audit Practice](#), which sets out how local auditors in England meet their responsibilities under the Local Audit and Accountability Act 2014. Further information on the consultation will be presented to the March 2024 Audit Committee.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The updated Accounts for 2020/21 are financial in nature. As this document is finance related, the financial implications are contained therein.

5.2 Legal Implications

5.2.1 The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021 and extended the statutory audit deadlines for 2020/21 and 2021/22 for all local authorities from 31st July to 30th September. The publication date for unaudited accounts moved from the requirement under the Accounts and Audit Regulations England (2015) previously to publish draft

accounts by 31 May following the year end to 31 July. If publication was not possible by these dates, then in England the Accounts and Audit Regulations 2015, as amended, required the following actions:

- Unaudited statement of accounts - As soon as reasonably practicable.
- Audited statement of accounts - As soon as reasonably practicable.

5.2.2 Due to a number of complex reasons the he Council's 2020/21 draft accounts were published on 26 October 2021.

5.2.3 The external audit of the draft accounts was delayed by Ernst Young (EY) LLP due to EYs resourcing pressures, exacerbated by COVID, together with internal Finance Team resourcing issues. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. As such the Council was unable to publish its audited accounts by the end of July. The Audit and Statement of Accounts Committees has had to be rescheduled. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

5.2.4 Consultation by DLUHC on proposals to clear the backlog in Local authority audits is ongoing. The current proposed backstop date for Phase 1 (Reset), as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015 is 30 September 2024, to clear all audits outstanding up to 2022/23 including 2020/21.

5.2.5 A report updating members on the current proposals will be presented to the March 2024 Audit Committee.

BACKGROUND PAPERS

- 4TH Quarter Revenue Monitoring Report 2020/21 - General Fund and HRA (11 August 2021 Executive)
- 2020/21 Capital Expenditure Outturn report (11 August 2021 Executive)
- General Fund Medium Term Financial Strategy Update (15 September 2021 Executive)
- DLUHC - Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit Published 8 February 2024

APPENDICES

- Appendix 1 – Annual Results Report 2020/21, including Draft Letter of Representation
- Appendix 2 – Annual Governance Statement 2020/21
- Appendix 3 – Statement of Accounts 2020/21