

Audit & Governance Committee: 28th July, 2021

DRAFT 2020/21 STATEMENT OF ACCOUNTS

1. Purpose of Report

1.1 This report presents the 2020/21 Statement of Accounts, the Council's eleventh set of accounts prepared in accordance with International Financial Reporting Standards.

2. Recommendation

2.1 It is recommended that:

- **The Audit Committee considers and comments on the work that has taken place to prepare the Council's draft 2020/21 Statement of Accounts.**

3. Introduction / Background

3.1 In typical years, the Council has followed The Accounts and Audit Regulations 2015 which sets out the requirements for the production and publication of its financial statements. The main requirement was that the Council should lodge a Code of Practice on Local Authority Accounting (the Code) compliant set of accounts with the External Auditor by no later than 31st May.

3.2 During 2019/20, given the exceptional circumstances that the Council had been working through in respect of the COVID-19 pandemic, the Government passed The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 in April 2020 which allowed councils the additional flexibility and discretion in respect of when they lodge their accounts with their auditors, with the latest date being the end of August 2020. For the 2019/20 process, the Council submitted its draft financial statements by the end of June 2020, an extension of one calendar month.

3.3 During the last 18 months, a review has been undertaken by Sir Tony Redmond on the oversight of local audit and the transparency of local authority financial reporting, named The Redmond Review. One of the areas of focus of the review related to the timescales that both local authorities and external auditors have to comply with as a result of a significant proportion of the audits not meeting the existing statutory deadlines.

3.4 As a result, a recommendation from the review was that for two years (2020/21 and 2021/22), the statutory deadline for the external auditor's final opinion would be extended from 31st July to 30th September, after which time, the Government will assess the impact.

3.5 The implications for the Council for 2020/21 are that the draft accounts are to be submitted by no later than 31st July 2021.

3.6 Members of the Committee will be aware that the External Auditors for 2020/21 are Grant Thornton.

- 3.7 Members of the Committee should also note that the Council expects to meet all of its statutory obligations with the draft accounts scheduled to be submitted to Grant Thornton on the 30th June 2021. It should also be noted that the Accounts and Audit Regulations 2015 do not require those charged with governance (the Council) to approve the draft accounts prior to submission. This is primarily to allow the Council's officers additional time to prepare the accounts under the more complex and time consuming International Financial Reporting Standards (IFRS) and to place public bodies on a similar reporting footing with the private sector.
- 3.8 Members should also note that the External Auditor also has flexibility and discretion on the date to conclude their audit and to issue their report to Audit Committee and full Council, with the above regulations setting out a date no later than 30th September 2021. The Council has been in regular liaison with Grant Thornton throughout the pandemic and the Council's finance staff will work closely with the auditors to achieve this date.
- 3.9 To further assist Members of the Committee, attached at Appendix 2 is a CIPFA publication "Understanding Local Authority Financial Statements". This publication is designed to give an overall analysis of what the main statements within the Accounts mean, from the perspective of Members.

4. Current Position

- 4.1 A set of the Council's 2020/21 draft Statement of Accounts are attached at Appendix 1. This document presents the Authority's financial statements in the format required by CIPFA's Code of Practice on Local Authority Accounting 2020/21 (the 'Code'), the Accounts and Audit Regulations 2015 and the Audit Commission Act 1998.
- 4.2 As previously stated, the format of the information is prescribed and based on International Financial Reporting Standards as interpreted by the 'Code' which allows, in the main, comparison to other local authorities and other bodies. Separate revenue and capital final accounts reports detailing the 2020/21 outturn for each Directorate and the overall implications of those positions have been considered by the Council's Cabinet on the 16th June 2021. These reports can also be made available to members of the Audit Committee if required.
- 4.3 The annual audit of the accounts is due to commence in July 2021. On conclusion of the audit, the External Auditor will issue a formal report, the ISA 260 and the opinion on the accounts. No major amendments to the accounts are anticipated, however, if any significant amendments are required then these will be presented to the Audit Committee and the full Council in a separate report at a later date.

5. Options

- 5.1 The Council has a statutory obligation to submit the draft 2020/21 Statement of Accounts to the External Auditor by 31st July 2021. Failure to do so could result in an audit qualification and consequential reputational damage. This requirement was duly met.

6. Consultations

6.1 The Statement of Accounts have been prepared in conjunction with all Executive Directors and Financial Services support staff. External Audit has been kept informed of progress throughout the accounts closure process.

7. Local Area Implications / Compatibility with European Convention on Human Rights / Reduction of Crime and Disorder / Risk Assessment

7.1 No direct implications.

8. Proposal

8.1 That the Service Director Finance (the Council's S151 Officer) submits the draft 2020/21 Statement of Accounts (Appendix 1) to the Audit Committee meeting of the 24th June 2020 for consideration and comment.

9. Financial Implications

9.1 The Authority's statutory draft financial statements for the financial year 2020/21 are attached at Appendix 1 to this report. For the benefit of Members, this includes on pages 4 through 32, a Narrative Report which introduces the Council and contextualises the financial statements in the economic environment that the Council operates in. It outlines the Council's corporate objectives together with the corporate vision and values.

9.2 Furthermore, the requirements state that key performance of the Council must also be presented, from both an internal and external perspective, covering a range of themes such as performance management, treasury management, risk management and the future economic outlook. Though not a formal requirement, the narrative report also explains the relationship between the Authority's management accounts and the financial statements contained within the Statement of Accounts.

9.3 The Narrative Report also provides a brief description of the purpose of the main statements within the accounts, including the Movement in Reserves Statement, the Comprehensive Income & Expenditure Statement and the Balance Sheet.

9.4 The Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 'Code') prescribes the accounting treatment and disclosures for all transactions of a local authority. The 'Code' is refreshed annually as accounting standards evolve.

9.5 The 'Code' also sets out the accounting concepts and principles that underpin the Statement of Accounts with the overriding requirement that the accounts provide a true and fair view of the financial position and transactions of the Authority.

9.6 There have not been any significant changes to the accounting requirements in respect of the 2020/21 'Code'.

10. Employee Implications

10.1 No direct implications.

11. Glossary

11.1 CIPFA - Chartered Institute of Public Finance and Accountancy

12. List of Appendices

12.1 Appendix 1 - Draft Statement of Accounts 2020/21

Appendix 2 – CIPFA’s Understanding Local Government Financial Statements

13. Background Papers

13.1 Various closedown files, working papers and external audit schedules are available for inspection within the Finance Business Unit.

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