

Division(s):

AUDIT AND GOVERNANCE COMMITTEE – 27 MAY 2020

STATEMENT OF ACCOUNTS 2019/20 UPDATE

Report by Director of Finance

RECOMMENDATION

1. **The Audit and Governance Committee is RECOMMENDED to:**
 - (a) **note the revised timetable for the publication of the 2019/20 Unaudited Statement of Accounts and period of public inspection**
 - (b) **ratify the accounting policies as approved by the Chief Finance Officer and included as an appendix to this report**
 - (c) **note the content and timetable for the 2019/20 narrative report**

Executive Summary

2. This report sets out the revised timetable for the 2019/20 Statement of Accounts following the amendment to the Accounts and Audit Regulations 2015 by the Accounts and Audit (Coronavirus) Amendments Regulations 2020 which extends the statutory deadline for the audit of the accounts from 31 July to 30 November 2020.
3. This report also sets out the Council's approach to two key elements of the Statement of Accounts:
 - (a) Significant Accounting Policies which describe how the Council has interpreted and applied the code and form the basis of preparation of the accounts
 - (b) The Narrative Statement which is the Council's opportunity to 'tell the story' about the Council's aims, objectives and outcomes, linked to the financial performance as set in the main financial statements.

Revised Timetable for 2019/20 Statement of Accounts

4. The timetable for the publication of the unaudited and audited statement of accounts is set out in the Accounts and Audit Regulations 2015. These regulations require local authorities to complete and publish unaudited accounts by 31 May and publish audited accounts by 31 July.
5. The Ministry of Housing, Communities and Local Government (MHCLG) has recognised the additional pressure placed on local authorities as a result of managing the impact of the COVID-19 pandemic and has put in place the Accounts and Audit (Coronavirus) Amendments Regulations 2020 which extend

the statutory audit deadline for 2019/20 for all local authorities from 31 July to 30 November 2020.

6. To give local authorities further flexibility, the requirement for the common public inspection period to include the first 10 working days of June has also been removed. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020. The 30-working day period remains.
7. Authorities must publish the dates of their public inspection period. Following guidance from the MHCLG, a public notice has been added to '[Annual accounts and audit](#)' page on the Council's website detailing the proposed period of public inspection, explaining when the public inspection period would usually commence, and explaining why we are departing from normal practice for 2020.

Proposed timeline

8. The preparation of the accounts has been able to continue broadly as planned. It is therefore proposed that the unaudited accounts will be signed by the Director of Finance on or before 8 June 2020 and published on the Council's website. Upon publication, a link will be sent to members of the Audit & Governance Committee.
9. Following this, the public inspection period for the Council's statement of accounts will commence on 8 June and will conclude on 20 July 2020.
10. This timetable enables the external auditors to begin work on the main audit on 1 June as originally planned. It is also anticipated that the Statement of Accounts can be signed by the Chairman of the Audit and Governance Committee at the meeting on 22 July as planned or that sufficient progress will have been made to enable the Committee to delegate authority to the Chairman to do so at a later date.

Significant Accounting Policies

11. The Council's Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Council is required to adopt accounting policies which describe how the Council has interpreted and applied the Code.
12. The Code defines Accounting Policies as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.'
13. The significant accounting policies adopted by the Council are disclosed within three notes to the Core Financial Statements in the Statement of Accounts:

- Note 1. Summary of Significant Accounting Policies
 - Note 2. Critical judgements in applying accounting policies
 - Note 3. Assumptions made about the future and other major sources of estimation uncertainty
14. The Code prescribes that ‘authorities shall apply the objective, underlying assumption and qualitative characteristics of useful financial information, in the selection and application of accounting policies and estimation techniques.’
15. The Code provides a detailed framework within which accounting policies must be set:
- When the Code specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Code. Those policies need not be applied when the effect of applying them is immaterial.
 - Where the Code does not specifically apply to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:
 - a) relevant to the decision-making needs of users, and
 - b) reliable, in that the financial statements:
 - i) represent faithfully the financial position, financial performance and cash flows of the authority
 - ii) reflect the economic substance of transactions, other events and conditions and not merely the legal form
 - iii) are neutral, i.e. free from bias
 - iv) are prudent, and
 - v) are complete in all material respects.
 - In making the judgement management shall refer to, and consider the applicability of, the Code requirements dealing with similar and related issues. Management may also consider the most recent pronouncements of standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the requirements of the Code.
 - An authority shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless the Code specifically requires or permits different treatment.
 - An authority shall change an accounting policy only if the change is required by the Code or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the authority’s financial position, financial performance or cash flows.
 - Where an authority changes an accounting policy, it shall apply the changes retrospectively unless the Code specifies transitional provisions that shall be

followed. A change in accounting policy shall be applied retrospectively by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to do so.

Approval of Accounting Policies

16. The code states that the Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The 2019/20 accounting policies have been approved by the Chief Finance Officer and are included at **Annex 1**. All significant accounting policies have been selected with reference to the Code.
17. The Council's auditors will review the adopted accounting policies as part of the audit of the statement of accounts. There is also an expectation that the auditors will be able to evidence that the accounting policies have been approved by the Audit and Governance Committee in its capacity as 'Those Charged with Governance'. The Audit and Governance Committee is therefore asked to ratify the accounting policies as set out in Annex 1.

Changes to Accounting Policies for 2019/20

18. There have been no material changes to the accounting policies for 2019/20. Minor changes have been made to Note 3. Assumptions made about the future and other major sources of estimation uncertainty to reflect the approach taken to the actuarial valuation of the pension liability.

Narrative Statement

19. The narrative statement opens the Statement of Accounts and is the Council's opportunity to 'tell the story' and illuminate the financial performance, as set out in the main financial statements, by including performance information.
20. The 2019/20 narrative statement will include performance information as set out in the March Business Management and Monitoring Report to 31 March 2020. This report was considered by Cabinet on 26 May 2020.
21. In addition, CIPFA has issued guidance to local authorities setting out issues that local authorities may wish to consider including in the narrative report as a result of the COVID-19 pandemic. This includes the impact on the provision of services, the council's workforce, supply chain, financial performance and position, cashflow management, major risks to the authority and plans for recovery.
22. The full narrative statement will be circulated by email to members of the Audit Governance Committee following the meeting on 27 May. Members are asked to comment by 3 June to enable publication of the draft Statement of Accounts for public inspection on 8 June 2020.

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Background papers: None

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