

Divisions Affected - All

AUDIT & GOVERNANCE COMMITTEE - 2 June 2021

Statement of Accounts 2020/21

Report by Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - a) **note the latest timetable for the 2020/21 Statement of Accounts and external audit**
 - b) **comment on the draft Narrative Report and Going Concern assessment that will form part of the Statement of Accounts**

Executive Summary

2. This report sets out the latest position on the preparation of the 2020/21 Statement of Accounts including:
 - The latest timetable for the 2020/21 Statement of Accounts and external audit
 - The draft Narrative Report
 - The draft Going Concern Assessment

Timetable for 2020/21 Statement of Accounts

3. Following a period of consultation, the Ministry of Housing, Communities and Local Government (MHCLG) has published the Accounts and Audit (Amendment) Regulations 2021 which amend the Accounts and Audit Regulations 2015. These regulations set out the statutory timetable for the publication of the Council's unaudited accounts and completion of the external audit.
4. The amended regulations include an extension to the deadline for the completion of the external audit from 31 July to 30 September for two years relating to the 2020/21 and 2021/22 accounts. The deadline will be reviewed after that period and will include an evaluation of whether an extended deadline has improved the audit completion rate. While 2019/20 was an exceptional year, 40% of audits failed to meet the 2018/19 deadline of 31 July.

5. The amended regulations also remove the fixed period for public inspection of the accounts for 2020/21 which required draft accounts to be published by 31 May and instead require draft accounts to be published on or before 1 August. The amended regulations have been designed to provide flexibility, giving more time for the completion of the draft accounts where required but also enabling draft accounts to be published earlier and for audits to be completed in advance of the 30 September deadline.

Publication of the draft statement of accounts

6. It is currently expected that the Council's draft accounts will be authorised by the Director of Finance for publication on or shortly after 7 June 2021. The draft Statement of Accounts and Annual Governance Statement will be published on the [Annual accounts and audit](#) page of the County Council's website. This will also mark the beginning of the period of public inspection which must last for 30 working days.
7. A notification of publication the draft accounts will be sent to members of the Audit and Governance Committee.

Noted omissions from the draft statement of accounts

8. There are two areas where only incomplete information will be available in time for the publication of the draft accounts. These are:
 - Valuations of Property, Plant and Equipment relating to 17 Care Homes and;
 - Business Rate and Council Tax Collection fund values
9. Due to the specialist nature of Care Home valuations this work is being undertaken by a firm with particular expertise in this area and this has taken longer than originally anticipated. The draft accounts include the latest valuations for these properties which are dated 1 April 2017.
10. As a precepting authority, the Council relies on the billing authorities (City and District Councils) to provide the information relating to the Business Rate and Council Tax Collection funds. Billing authorities are required to submit their final figures for business rate collection to MHCLG at the end of each financial year. For 2020/21 the deadline for this submission has been extended from 30 April to 30 June 2021. As a result of this extension, not all councils have been able to provide the updated information for inclusion in the draft accounts. Where updated information has not been provided the 2019/20 figures will be used as an estimate for the draft accounts.
11. These areas will both be updated for the audited accounts. The changes will not impact on the position of the General Fund as they are purely accounting adjustments. This approach has been agreed with the external auditors.

External audit timetable

12. The 2021/22 Audit Plans for the audit of the Council's accounts and Pension Fund accounts are elsewhere on the agenda.
13. The main external audit will commence on 7 June 2021. To avoid a prolonged period of audit, Officers will work with the external audit team to conclude the audit by the original statutory deadline of the 31 July. It may therefore be possible for the Audit & Governance Committee to approve the audited accounts at the meeting in July. If this can not be achieved, the accounts can be approved within the revised timeline at the meeting in September.

Narrative Statement

14. 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 information about the Council's vision, structure, corporate plan and performance.
15. The content of the narrative report is prescribed by the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
16. The 2020/21 narrative statement includes performance information as set out in the March Business Management and Monitoring Report to 31 March 2021 which will be considered by Cabinet on 22 June 2021.
17. The narrative statement also includes a description of the main financial statements and the notes to the accounts including the Expenditure and Funding Analysis
18. The draft 2020/21 Narrative Statement forms Annex 1 to this report.

Going Concern Assessment

19. The County Council's accounts are completed on a Going Concern basis, that is the assumption that on the assumption that the functions of the County Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.
20. The Code sets out as a matter of fact that local authority accounts must be prepared on a going concern basis. This is due to the economic and statutory environment in which local authorities operate which means that authorities cannot be dissolved without statutory prescription. Authorities are therefore not required to make an assessment of the authority's ability to continue as a going concern which would otherwise be required under International Accounting Standard (IAS) 1.
21. However, it is recognised that the going concern assumption prescribed in the Code does not preclude authorities experiencing challenges with liquidity and

