

Meeting: Audit Committee

Date: 6 December 2021

Wards Affected: All Wards

Report Title: Statement of Accounts and Annual Governance Statement 2020/21

Executive Lead Contact Details: **Darren Cowell**, Cabinet Lead for Finance

Supporting Officer Contact Details: Martin Phillips – Chief Finance Officer, (01803) 207285, Martin.phillips@torbay.gov.uk

1. Purpose and Introduction

- 1.1. For 2020/21 (and 2021/22) the Accounts and Audit Regulations require the Council's Statement of Accounts for a year ended 31 March to be issued before 31 July of that year with the accounts audited by an external auditor by end of September of that year.
- 1.2. The external audit (by Grant Thornton) was planned to start on 16 August 2021 and due to be completed by end of the September. Grant Thornton have experienced resource issues and the audit has been significantly delayed. However, the audit is now substantially complete with the approval by Audit Committee now the 6 December 2021.
- 1.3 The same regulations, require approval of an Annual Governance Statement to inform Members of the Council's Governance and Internal Control framework and any significant control issues.

2. Proposed Decision

- 2.1 **That Audit Committee having reviewed the accounts including the significant accounting policies and considered the External Auditor's progress report on the Accounts, approve a) the Statement of Accounts 2020/21 and b) the Annual Governance Statement 2020/21.**
- 2.2 **That Audit Committee delegate to the Chief Finance Officer, in consultation with the Chair of Audit Committee, the authorisation to make any changes to the 2020/21 Accounts arising between the date of this report and the finalisation of the external audit.**
- 2.2 **The Letter of Representation (attached at appendix 1) is approved (to follow).**

3. Reasons for the Decision

- 3.1 For 2020/21 the Account and Audit Regulations require approval of the audited Statement of Accounts for the year ended 31 March by a committee of the Council before 30 September. For Torbay the Audit Committee can “on behalf of the Council approve the annual statement of accounts”. In addition the Regulations require that the person presiding at the meeting shall sign and date the accounts. As a key part of this process the Audit Committee will consider these Accounts prior to approval, and will also receive and consider the External Auditor’s report and opinion on the accounts.
- 3.2 As required by the Account and Audit Regulations the Accounts were “authorised for issue” by the Council’s Chief Finance Officer on 31 July 2021 and have been available on the Council’s website since then. The accounts, as required by the Regulations, were available for public scrutiny during August and early September 2021.
- 3.3 The external audit (by Grant Thornton) was planned to start on 16 August 2021 and due to be completed by end of the September. Grant Thornton have experienced resource issues and the audit has been significantly delayed. As Grant Thornton advised that they would fail to meet the statutory audit deadline the Council, as required by legislation, placed a notice on its website to advise of the delay.
- 3.4 The audit is now substantially complete with the approval of the accounts by Audit Committee on the 6 December 2021. At this meeting Grant Thornton will provide an update on the Accounts to Audit Committee which will enable members to consider the External Auditor’s views prior to the Committee’s approval of the Accounts.
- 3.5 The Accounts presented to the Audit Committee are the Accounts as authorised for issue in July 2021 apart from an updated Annual Governance Statement. The Chief Finance Officer in consultation with the Chair of Audit Committee will update the accounts for any adjustments agreed with the External Auditor.
- 3.6 Council, in July 2021, received reports on both revenue and capital spending during the last financial year and those reports are consistent with the financial information in the Statement of Accounts.

Supporting information

A1 Introduction and history

- A1.1 The principal legislation relating to the keeping of local authority accounts is contained in the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2015. Local authority accounts are required to present a “true and fair view” of the financial position of the authority. The audit requirements of accounts are contained in the Local Audit and Accountability Act 2014.
- A1.2 The Account and Audit Regulations 2015 regulations require that the responsible financial officer of the Council shall sign the Statement of Accounts and certify that it presents a “true and fair” view of both the financial position of the Council

at the end of the year to which it relates and its income and expenditure. The Council's responsible financial officer, Martin Phillips, has certified the Accounts.

- A1.3 The Regulations also require the audited Statement of Accounts to be published each year with approval by a committee. For Torbay Council this is the Audit Committee. In addition the Regulations require that the person presiding at this meeting shall sign and date the accounts. This year as the audit was delayed the approval has been delayed until September.
- A1.4 The Statement of Responsibilities for the Statement of Accounts to be signed by the person presiding at this meeting is within the Statement of Accounts. The intention behind this requirement is that the signature of the person presiding at the meeting shall formally represent the completion of the Council's approval process of the accounts.
- A1.5 The Council as part of the process of the external auditor's opinion on the Accounts is also required to complete a Letter of Representation (attached at Appendix 1) to confirm that all relevant information has been disclosed and made available to the auditor.
- A1.6 The requirements to produce statutory accounts in line with statutory timetables place pressures on finance and service staff to produce the information required and in particular the pressure tends to fall on a few key individuals to produce the statutory accounts. It should be noted that although the Statement of Accounts is produced by Financial Services the support of service staff, who order, authorise and control income and expenditure is vital in this process. The Director of Finance and his staff, again, recognise the support given by service staff and without their support this timetable would not have been met.

A4. Group Accounts and Partnership Working

- A4.1 A key issue that affects the closure of the Council's accounts is the requirement to include the accounts of other bodies where the Council has control or significant control.
- A4.2 In 2020/21 the Council owns, or has influence on, a number of companies including SWISCo, Careers South West and the TDA Group including Complete Cleaning Solutions Limited and Torvista Homes. These are accounted for, if material, as subsidiary, associate companies or joint ventures depending on the level of Council's control/ownership. Group accounts were included for 2020/21.
- A4.3 In addition the Council must disclose details of all arrangements with other bodies that could be classified as a related party or pooled budget arrangement such as the Devon Audit Partnership Joint Committee. It is important that the Council has an understanding of all the "partnerships" and joint working arrangements it has entered into, particularly in terms of legal issues, financial control and any risks and/or rewards the Council has from the arrangement.

A5 2020/21 Statement of Accounts

- A5.1 The Accounts are included within the "Financial Reports and Accounts for the Year 2020/21" as shown in appendix 3. The Accounts are produced in line with

IFRS and “proper practice” issued by CIPFA. As a result it is a technical document with its content and format largely prescribed by guidance and legislation.

A5.2 The other information included in the Financial Report, i.e the Narrative Statement and Annual Governance Statement are published with the Accounts.

A5.3 The Council’s accounting policies, which underpin the information within the Statement of Accounts, are reviewed on an annual basis by the Chief Finance Officer to ensure that the selection of the accounting policies is consistent with the latest guidance and standards (IAS8). The Council’s Accounting Policies that are significant are shown within the Statement of Accounts and are part of the approval of the Accounts.

A6 Future year Statement of Accounts

A6.1 There are a number of accounting changes and others issues that will impact on future year Council Accounts:

- 1) For 2022/23, a new accounting standard in relation to Leasing will have a minor impact. The definition of a finance lease and operating lease will disappear with the majority of leases to be recognised as a lease asset and liability on the lessee’s balance sheet.
- 2) Any impact from the Redmond Review such as the publication of an additional “simplified” financial statement.

A7 Annual Governance Statement

A7.1 As required by the Accounts and Audit Regulations as part of its annual review of its internal control system, the Council will prepare an Annual Governance Statement which is then approved by a committee of the Council. The Annual Governance Statement was presented to Audit Committee members in May 2021.

A7.2 The 2020/21 Annual Governance Statement is included and is required to be published as part of the Statement of Accounts.

A8. Other Final Accounts Requirements

A8.1 The Approval of the Council’s statutory Statement of Accounts is an important part of the final accounts process; however there are other requirements that relate to 2020/21 year end. These include:

- WGA Return, subject to a limited external audit
- Revenue and Capital Central Government returns on 2020/21
- Children’s Services related “section 252” return
- Any grant claims which will be subject to external audit
- The publication of the Statement of Accounts
- Publishing (and advertising) the Accounts and completion of the audit

A10 Possibilities and Options

A10.1 Approval of the Accounts is a statutory requirement.

A.11 Preferred Solution /Option

A11.1 As set out in the recommendation.

A.12 Risks

A12.1 Impact on Council's reputation and negative external auditor comments if Accounts are not approved by end May.

A13 Consultation

A13.1 The unaudited Accounts have been on the Council website since August 2021, together with a public notice advertising the public inspection period. The public notice has also been displayed on the public notice board outside of the Town Hall.

Appendices

Appendix 1 - Letter of Representation 2020/21 – to follow

Appendix 2 - Financial Reports and Accounts for the year 2020/21