

APPROVAL OF THE 2020/21 ACCOUNTING STATEMENTS

AGENDA ITEM NO. 14

MEETING: COUNCIL

DATE: 16TH JUNE 2021

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

- 1.1 The purpose of this report is to put forward for approval the Council's Accounting Statements for the 2020/21 financial year, as set out in Section 2 of the 2020/21 Annual Governance and Accountability Return.
- 1.2 The reports also sets out for approval the various supporting financial documents and information that are required to be submitted to the Council's external auditors along with the main accounting statements.
- 1.3 The report complies with the statutory requirements set out in the Accounts and Audit Regulations 2015 for the production, approval, audit, and subsequent publication of the Council's annual accounts.

2.0 Statutory Requirements

- 2.1 In accordance with the Local Audit and Accountability Act 2014, the Council has been classified as a 'smaller authority', in relation to its statutory accounting and audit arrangements, as its gross income and gross expenditure does not exceed £6.5 million. A smaller authority is referred to as a 'Category 2 Authority' in the Accounts and Audit Regulations 2015.
- 2.2 The Accounts and Audit Regulations 2015 require the Council to '*prepare accounts each year in accordance with statutory requirements and proper practices*'.
- 2.3 The 'proper practices' in relation to financial management, governance and the preparation of annual accounting statements, are set out in '*Joint Panel on Accountability and Governance Practitioners' Guide*'. This document is produced annually by the Joint Practitioners Advisory Group (JPAG) and published by the National Association of Local Councils (NALC).
- 2.4 Regulation 11(1) of the Accounts and Audit Regulations 2015 requires the accounts to '*take the form of an income and expenditure account and statement of balances, prepared in accordance with, and in the form specified in any annual return*'.
- 2.5 Regulation 12(1) requires the Finance Manager, as the Council's Responsible Financial Officer, to sign the draft unaudited accounts, confirming that the income and expenditure account and statement of balances '*present fairly the financial position of the Council at the end*

of the financial year and the Council's income and expenditure for that year'. This must be done by no later than 30th June.

- 2.6 Regulation 12(2) then requires the Council to:-
- (a) *consider the statement of accounts by the members meeting as a whole;*
 - (b) *approve the statement of accounts by resolution; and*
 - (c) *ensure the statement of accounts is signed and dated by the person presiding at the meeting at which that approval is given.*
- 2.7 Following approval of the statement of accounts by the Council, Regulation 12(3) requires the Finance Manager, to '*commence the period for the exercise of public rights in relation to the inspection of the unaudited accounts in accordance with Regulation 14 and 15*'; and '*notify the external auditor of the date on which that period commenced*'.
- 2.8 Regulations 14 and 15 require the Finance Manager to publish (including publication on the Council's website) the statement of accounts and annual governance statement, accompanied by a declaration that they are unaudited and may be subject to change; as well as a statement setting out the period for the exercise of public rights, details of those rights and how and when local government electors can exercise them, and the name and address of the auditor.
- 2.9 Regulation 14(1) requires the period for the exercise of public rights to be '*a single period of 30 working days*' commencing on the day following the day on which the unaudited statement of accounts and annual governance statement are approved and published. Regulation 15(1)(b) requires that the commencement of the above period includes '*the first ten working days of July*'.
- 2.10 The Finance Manager certified the draft unaudited 2020/21 Statement of Accounts on Monday 7th June, and the Annual Governance and Accountability Return will be published on the Council website on Thursday 17th June.
- 2.11 The thirty-day public inspection period will commence on Friday 18th June, running until Thursday 29th July. Notice of this will be advertised in the Newton News on Friday 18th June and on the Council website on Thursday 17th June.
- 2.12 The Annual Governance and Accountability Return and supporting documents will be sent to the external auditor following their approval at this meeting. The audit will take place off-site and will be undertaken by the Council's external auditors; Mazars LLP.
- 2.13 It is important, in terms of providing assurance to local taxpayers, that the Council receives an 'unqualified' opinion in the external audit report. An unqualified opinion means that no material issues of concern have been identified by the external auditors.
- 2.14 An unqualified audit opinion would mean that the accounting statements present fairly the financial position of the Council and are free from material misstatement or error, and that the Council's governance and internal control arrangements are effective.

- 2.15 Following the conclusion of the period for the exercise of public rights and the completion of the audit, Regulation 13 requires the Finance Manager to publish the audited statement of accounts and annual governance statement, together with the external auditor's opinion and certificate', by no later than 30th September 2021.
- 2.16 Finally, Regulation 16 requires the Council to publish notice of completion of the audit and the publishing of the audited statement of accounts and annual governance statement, and a statement setting out the rights of inspection conferred on local government electors by Section 25 of the Local Audit and Accountability Act 2014.

3.0 2020/21 Accounting Statements

- 3.1 The 2020/21 Accounting Statements are set out in Section 2 of the Annual Governance and Accountability Return and the figures are attached at Appendix 1.
- 3.2 The Accounting Statements present, in accordance with proper accounting practices and in the format required by the Annual Governance and Accountability Return, the financial position of the Council for the financial year ended 31st March 2021.
- 3.3 The accounting statements take the form of a one-page return covering income and expenditure, opening and closing balances, cash and bank balances, fixed asset values and loan balances.
- 3.4 They *do not* require the Council to produce a detailed income and expenditure account, balance sheet, statement of balances and reserves or asset register, as it was required to do in the past.
- 3.5 As the Council has an income or expenditure in excess of £200,000 per year, the Council must operate its accounts on an income and expenditure basis i.e. by adjusting receipts and payments to provide for any debtors, creditors, accruals, prepayments and receipts in advance at the end of the year.
- 3.6 The accounting statements also report the immediately preceding year's figures, thereby allowing comparison between the two years.
- 3.7 The Finance Manager is responsible for ensuring that appropriate accounting policies are in place to support the figures included in the accounting statements, confirming that these policies are consistently applied year to year, and ensuring that all figures agree to the Council's primary accounting records and are supported by working papers.
- 3.8 The attached Accounting Statements show that the Council:-
- Started the year with balances and reserves of £1,267,133;
 - Set a precept for 2020/21 of £1,717,500;
 - Generated income (receipts) from fees and charges, grants, capital receipts and other sources of £917,773;
 - Incurred staffing costs of £1,599,203;
 - Incurred other expenditure (payments) running its services and undertaking capital investment totalling £675,597;
 - Made loan repayments of £19,840;
 - Ended the year with balances and reserves of £1,607,766;
 - Held total cash and bank balances of £1,618,766;

- Owned fixed assets at the end of the year to a gross book value of £9,678,827;
 - Had outstanding loans at the end of the year to the value of £97,830; and
 - Saw an overall increase in its balances and reserves of £340,633 over the course of the 2020/21 financial year.
- 3.9 The detailed year-end financial position on the Council's 2020/21 Revenue and Capital Budgets was presented to Policy and Resources Committee on 9th June, and it is not intended to repeat any of this information.
- 3.10 While the finances of the Council are reported in a different format to the Council's Revenue and Capital Budget in the attached Accounting Statements, Members will note that the balances and reserves figures at the start and end of the year agree to those reported in the 2020/21 Revenue and Capital Budget year-end outturn position.
- 3.11 The accounting statements reported within the Annual Governance and Accountability Return are supplemented by a number of supporting documents including a bank reconciliation, an explanation of significant variances, and a reconciliation of balances and reserves to cash and bank balances.
- 3.12 These supporting documents are required to be submitted to the external auditors, and are summarised below:-
- Year-End Bank Reconciliation (Attachment 1.1);
 - Explanation of Significant Variances (Attachment 1.2);
 - Reconciliation of Boxes 7 and 8 (Attachment 1.3);
 - Confirmation of Contact Details (Attachment 2);
 - Confirmation Regarding the Exercise of Public Rights (Attachment 3)
- 3.13 Copies of this supporting financial information (excluding Attachment 2 which sets out personal information) have been attached at Appendix 2, following the Accounting Statements.
- 3.14 In addition, as the Council has an income or expenditure in excess of £200,000 per year, the external auditors require additional information each year to support the figures reported in the Annual Governance and Accountability Return and the assertions made in the Annual Governance Statement, via an 'intermediate audit'.
- 3.15 The additional 'intermediate audit' information to be submitted to the external auditors for 2020/21 is summarised below:-

Financial Management

- Copy of the latest budget monitoring report received by the Council during 2020/21 showing the forecast outturn; and
- Bank statements showing the balance at 31st March 2021 for all bank accounts on the bank reconciliation.

Action on audit reports

- Minutes showing the Council's formal consideration of the Mazars 2019/20 audit report; and
- A copy of all 2020/21 Internal Audit report(s) to demonstrate there was no repetition of issues raised in 2019/20.

Prudence re litigation, liabilities and commitments

- A note of all outstanding legal claims against the Council together with confirmation that any uninsured portion has been taken into account in budget setting.
- A copy of minutes showing formal consideration of the 2021/22 budget and the level of reserves required.

- 3.16 The above information will be sent to the external auditors along with the approved Annual Governance and Accountability Return and supporting documents referred to earlier.
- 3.17 It is recommended that the Council approves the Accounting Statements set out in Section 2 of the Annual Governance and Accountability Return, and that the accounting statements are signed by the Chairman of the Council.
- 3.18 The unaudited 2020/21 Annual Governance and Accountability Return will then be published by the Finance Manager in accordance with the requirements of the Accounts and Audit Regulations 2015 and in line with the dates set out in Section 2 of this Report.
- 3.19 A full copy of the 2020/21 Annual Governance and Accountability Return document is attached for Member's information at Appendix 3.

4.0 Policy Implications

- 4.1 The production and approval of the Council's Accounting Statements and the subsequent audit of the accounts assists in the delivery of the following Council Aims:-

Council Aim 1 - "To provide good quality governance and management of the Council"

Council Aim 2 – "To manage the Council's finances and assets in a responsible manner".

5.0 Staffing Implications

- 5.1 The preparation of the Accounting Statements relies upon the invaluable support and assistance of officers from across the Council during the year-end closedown period in March and April each year.

6.0 Financial Implications

- 6.1 The financial implications for the Council are fully set out in the report.

7.0 Crime and Disorder Implications

- 7.1 None.

8.0 Equal Opportunities Implications

- 8.1 The Accounting Statements will be made available for inspection at the Council Offices and on the Council website.
- 8.2 Copies of the Accounting Statements will be made available in alternative formats upon request.

9.0 Environmental and Climate Change Implications

9.1 None.

10.0 Risk Assessment

10.1 The Accounting Statements must be approved by 30th June 2021, in accordance with the requirements of the Accounts and Audit Regulations 2015.

10.2 By approving the Accounts at this meeting there is therefore no risk of the Council failing to comply with this statutory duty.

10.3 There is a risk that if an 'unqualified' opinion is not received in the external audit report from the external auditors, that the Council would suffer adverse publicity and loss of public confidence.

10.4 However, the Council has received an unqualified audit opinion on its Accounting Statements and Annual Governance Statement for many years and officers are not aware of any reason why an unqualified audit opinion would be received this year.

10.5 The 'Annual Governance Statement' which is included within the Annual Governance and Accountability Return, and subject of the previous report, incorporated an assessment of the Council's risk management arrangements during 2020/21 and this did not highlight any issues of concern.

11.0 General Data Protection Regulation (GDPR)

11.1 There is no personal or sensitive data required for this proposal which may have any implications for GDPR.

12.0 Recommendations

12.1 It is recommended that:-

- the 2020/21 Accounting Statements set out in Section 2 of the Annual Return, and attached at Appendix 1, are approved;
- the supporting financial documents to be submitted to the external auditors with the Annual Governance and Accountability Return, and which are attached at Appendix 2, are approved;
- the Annual Governance and Accountability Return and supporting documents are sent to the external auditor on Thursday 17th June, following their approval;
- the unaudited Annual Governance and Accountability Return is published on the Council website on Thursday 17th June;
- the thirty-day public inspection period in relation to the statement of accounts commences on Friday 18th June, running until Thursday 29th July;
- notice of the publication of the accounts and the public inspection rights and period will be advertised on the Council website on Thursday 17th June and in the Newton News on Friday 18th June;
- following the completion of the external audit by Mazars LLP, and receipt of the signed audit opinion and certificate, the Annual Governance and Accountability Return will be published in accordance with the statutory framework.