

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE

14th December 2022

DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Relevant Portfolio Holder	Cllr. Geoff Denaro, Finance and Governance Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
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Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the draft 2020/21 accounts for approval by Audit, Governance & Standards Committee prior to Audit.

2. RECOMMENDATIONS

Audit, Standards & Governance Committee are Recommended to:

- Approve the draft Statement of Accounts prior to the commencement of the Audit.

3. Background

Introduction

- 3.1 The Council is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which facilitate the production of accounts in a standardised and consistent format across all industries, public and private sectors, providing greater transparency to all stakeholders.

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- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2020/21 Code of Practice (the Code) and are followed in the preparation of the 2020/21 Statement of Accounts.
- 3.3 The 2020/1 Statement of Accounts is the first set of accounts to meet the requirements and timeline for approval as contained in The Accounts and Audit (Coronavirus) Amendments Regulations 2020. The Ministry of Housing, Communities and Local Government (MHCLG) have made changes to the Accounts and Audit Regulations 2015 due to Coronavirus. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2020/21 and the publication date for audited accounts will move from 31 July to 30 November 2021 for all local authority bodies
- 3.4 Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit, Standards & Governance Committee.
- 3.5 The Accounts must be signed and certified by 30 November 2021 by the Council's Section 151 officer / Chief Finance Officer (CFO), in accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2021. The Audit Committee is required to approve the Accounts no later than 30 November 2021 following, and in the knowledge of, the audit findings.
- 3.6 The Council has not been able to deliver to this timetable which has resulted in a Section 24 Statutory Recommendation being issued to the Council on the 31st October 2022. This report kicks off the Audit process for 2020/21 by approving the draft accounts for Audit through this report.
- 3.7 As per the Section 24 Statutory Recommendation, the Council has only now been able to deliver the 2020/21 Statement of Accounts. The most significant issues that have held up the compilation of the Statement of Accounts have been: the implementation of a new financial system on the 8th February 2021; the loss of all but 4 of the original finance team in place who delivered the 2019/20 Accounts; and the C-19 pandemic which significantly affected service delivery during this period.
- 3.8 The most significant technical issue has been implementation of the new financial system, and in particular the Council to date being the only Council to implement the Cash Receipting solution. Issues with this module were only finally rectified in the "live" system on the 5th and 6th November. The issue has resulted in significant volumes of transactional items ending up in

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suspense instead of being coded to the correct nominal codes. The items in suspense, some with limited means of identifying their correct place of allocation, have needed to be cleared and a key part of the audit will be the agreement of the treatment of these balances with the External Auditors.

- 3.9 The Finance team will continue to review the accounts after Committee agenda despatch, working towards the Chief Finance Officer certification. If any substantial changes are needed to the Accounts, then an update will be provided to Committee.

Key Points in the draft 2020/21 Accounts

- 3.10 The 2020/21 draft Statement of Accounts is shown in Appendix A.
- 3.11 The presentation of the draft Statement of Accounts provides Audit, Standards & Governance Committee the opportunity to review the accounts and ask relevant questions so that they are better informed before being asked to formally approve the audited accounts at the November Audit Standards & Governance Committee meeting.
- 3.12 Whilst under regulations the Council's Audit Standards & Governance Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for Members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification.
- 3.13 For the Accounts to be presented to this Committee, the S151 Officer must be satisfied that the accounts comply with legislation. As highlighted in 3.8 above, significant work has been required to reallocate balances in the Council's suspense accounts and the method of this reallocation is a risk that will need signoff by the external auditors as part of the overall Audit process.
- 3.14 Our External Auditors will also see the movement from our existing financial system to Tech1 on the 8th January 2021 as a risk and will be reviewing all the Council's data take balance reports to assure themselves that a complete transfer of data did take place at that time.
- 3.15 The key contents of the various sections are as follows:
- **Narrative Report** - provides a fair, balanced and understandable guide (previously known as the Explanatory Foreword);
 - **Statement of Responsibilities** – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts;

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- **Comprehensive Income and Expenditure Statement** – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
- **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council;
- **Balance Sheet** – shows the value of the assets and liabilities recognised by the Council as at 31 March 2021;
- **Cash Flow Statement** – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2020/21;
- **Notes to the Financial Statements** - the various statements are supported by technical Notes and by the Statement of Accounting Policies;
- **The Collection Fund & Notes** – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates;
- **Statement of Accounting Policies** – outlines the accounting policies adopted by the Council;
- **Group Accounts** – this integrates the accounts of The Bromsgrove Arts Development Trust; and
- **Annual Governance Statement** – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts following its approval.

Next Steps - Approval, Signing, Inspection and Audit

- 3.16 At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2020/21.

Consultation

- 3.17 No external consultation, other than with the Council's External Auditors, Grant Thornton, is taking place. However, the accounts will be open to public inspection.

4. IMPLICATIONS

Financial Implications

- 4.1 Financial implications are set out in section 3 above.

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Legal Implications

- 4.2 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

- 4.3 Outputs of Governance Reports must be addressed by Services.

Customer / Equalities and Diversity Implications

- 4.4 Outputs of Governance Reports must be addressed by Services; however this will reflect best practice.

5. RISK MANAGEMENT

- 5.1 Contained in Annual Governance section 3.15 above

6. APPENDICES and BACKGROUND PAPERS

Appendix A – Statement of Accounts 2020/21 (to follow)

6. BACKGROUND PAPERS

Statement of Accounts 2019/20

Auditors S24 Statement – ASG Committee November 9th, 2022

7. KEY

None