

Report Title:	Post Audit Statement of Accounts 2020/21
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Lynne Jones – Deputy Leader of the Council, Finance
Meeting and Date:	Audit and Governance Committee - 16 November 2023
Responsible Officer(s):	Elizabeth Griffiths, Executive Director of Resources
Wards affected:	None

REPORT SUMMARY

This report sets out RBWM’s Audited Statement of Accounts for 2020/21, the External Auditors’ draft report on their audit, the ISA260 and the Annual Audit Report, the management responses to the matters raised in the External Auditors’ report and the draft Letter of Representation to be signed by the Borough.

It is recommended that the Audit and Governance Committee delegates responsibility to the Executive Director of Resources to agree and sign a final version of the Letter of Representation, approves the Statement of Accounts, and authorises the Chairman and the Executive Director of Resources to sign them, and approves the management responses to the matters raised in the External Auditors report.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Audit and Governance Committee notes the report and:

- i) Delegates responsibility to the Executive Director of Resources to agree a final version of the Letter of Representation and sign it.**
- ii) Approves the audited Statement of Accounts and authorises the Chairman and the Executive Director of Resources to sign them.**
- iii) Approves the management responses to the matters raised in the External Auditors’ report.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Options

Table 1: Options arising from this report

Option	Comments
To approve the audited accounts, and authorise the Chairman and the Executive Director of Resources to sign them This is the recommended option	Statutorily the Borough is required to publish its audited Statement of Accounts

- 2.1 As the Borough is required by statute to publish its audited Statement of Accounts, no other options are considered in producing this report.
- 2.2 The format and content of the accounts is subject to legislation and guidance contained in the Code of Practice on Local Authority Accounting. Members of the Audit and Governance Committee, however, ask questions of the Council's officers and auditors (Deloitte) and make recommendations that may assist a reader of the Statement of Accounts.

3. KEY IMPLICATIONS

- 3.1 For 2020/21, the original statutory deadline for the publication of the Council's audited financial statements was 31 July 2021. However, this deadline was amended as a result of the Covid-19 pandemic to 30 September 2021.
- 3.2 Other factors have also impacted on the delivery of the Council's audited Statement of Accounts, mainly arising from:
 - The delayed sign off of the 2019/20 accounts and the changes to the final accounts meant there were substantial changes to the 2020/21 accounts before those could be passed for audit.
A number of significant errors in the original draft 2020/21 Statement of Accounts have been identified by both the Finance Team and external audit which have been corrected.
 - Over the period of the audit, there have been significant changes to staffing both within the external audit team and the Borough's finance team, which has added to delays each time new members of staff in either area have had to start anew to review documentation and workings.

The delays in the final sign off of the Council's Statement of Accounts will also have an impact on the audit of the Statements for 2021/22 and 2022/23. These will need to be reviewed and updated ahead of the 2023/24 audit.

Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Date when accounts are published, the audit opinion and the number of changes required by auditors	Published later than 30 September 2021 or receive a qualified opinion or > 5 material changes.	Published on or before 30 September 2021 with an unqualified opinion and 1-4 material changes.	Published within the original statutory deadline of 31 July 2021, with an unqualified opinion and no material changes	Published by 31 May 2021, with an unqualified opinion and no material changes	16 November 2023

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Deloitte LLP anticipates issuing a qualified audit opinion with a limitation of scope on the authority's statement over National Non-Domestic Rates balances (and related figures in the Collection Fund and Collection Fund Adjustment Account), as due to system limitations the Council was unable to provide a breakdown of the NNDR-related debtor and creditor balances as at 31 March 2021. These reports were not run at the time and are unable to be run retrospectively. These were also not run at subsequent year ends so the expectation is that this will be an ongoing issue until 2023/24 when they have been run, as this is now an understood requirement.
- 4.2 Deloitte LLP has identified two significant weaknesses in arrangements to secure Value for Money, in respect of
- arrangements for reliable and timely financial reporting and maintaining a sound system of internal control; and
 - governance arrangements in particular in respect of informed decision making and risk management.
- 4.3 The external auditors will be seeking approval from Public Sector Audit Appointments (PSAA) for an increase in their audit fees as a result of having to carry out additional work due to changes in auditing standards and requirements for 2020/21 audits, including in respect of Value for Money and the impact of regulatory changes, estimated to total £381,107. In addition, they are seeking a further £71,521 for the consideration of potential objections including seeking legal advice on the matter.
- 4.4 Deloitte LLP has identified a number of unadjusted misstatements, the majority of which have "net nil impact" and are reversed out due to Statutory overrides in the basis of accounting.
- 4.5 One issue has been Capitalisation of £1m infrastructure expenditure with a useful life of less than a year. This related to road repairs (patches) which were assessed by the council to have a useful life of one year. The auditors are of the view that these repairs should be written off as incurred because they do not meet the criteria for capitalisation. No adjustments have been made for this observation.
- 4.6 An error of judgement in the overstatement of the business rates appeals' provision of £3m. The provision was made based on the information supplied by external consultants. No adjustments have been made for this observation.

5. LEGAL IMPLICATIONS

- 5.1 In producing, reviewing, auditing, and approving the accounts the Council is meeting its legal obligations.

6. RISK MANAGEMENT

- 6.1 We have accessed the risks associated with the current financial statements considered in this report and will be taking steps to mitigate any issues in future statements.

Table 3: Impact of risk and mitigation

Risk	Level of uncontrolled risk	Controls	Level of controlled risk
Accounts being mis-stated	Low	There is an internal review process in place and also these are externally audited	Low
Accounts being delayed for publishing	High	The accounts are overdue as a result of extra work involved due to the public objections and addressing the errors in original draft submission.	High

7. POTENTIAL IMPACTS

- 7.1 Equalities. No implications.
- 7.2 Climate change/sustainability. No implications
- 7.3 Data Protection/GDPR. No implications.

8. CONSULTATION

- 8.1 A 30-day public notice was put onto the Council's website giving residents the opportunity to inspect the accounts and related transactions and correspondence and make objections to external auditors.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 This section is not applicable.

10. APPENDICES

- 10.1 This report is supported by 4 appendices:

- Appendix A Equality Impact Assessment
- Appendix B Draft Statement of Accounts 2020/21
- Appendix C Management response to Control observations
- Appendix D Draft Audit report (ISA 260)
- Appendix E Draft Auditor's Annual Report 2020/21

- Appendix F Draft Letter of Representation (to be provided)

11. BACKGROUND DOCUMENTS

11.1 This report is supported by no background documents.

12. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officer (or deputy)</i>	
Elizabeth Griffiths	Executive Director of Resources & S151 Officer	8/11/23	
Elaine Browne	Deputy Director of Law & Governance & Monitoring Officer	8/11/23	8/11/23
<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance & Deputy S151 Officer	Report Author	
<i>Mandatory:</i>		<i>Data Protection Officer (or deputy) - if decision will result in processing of personal data; to advise on DPIA</i>	
<i>Mandatory:</i>		<i>Equalities Officer – to advise on EQiA, or agree an EQiA is not required</i>	
Ellen McManus-Fry	Equalities & Engagement Officer		

Confirmation relevant Cabinet Member(s) consulted	Deputy Leader and Finance	Yes
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REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Audit and Governance Committee Non-key decision	No	Letter of Representation To be provided before the meeting

Report Author: Andrew Vallance, Deputy Director Finance and Deputy S151 Officer

Appendix A - Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk



1. Background Information

Title of policy/strategy/plan:	<u>Post Audit Statement of Accounts 2020/21</u>
Service area:	<u>Finance</u>
Directorate:	<u>Resources</u>

Provide a brief explanation of the proposal:

- What are its intended outcomes?
- Who will deliver it?
- Is it a new proposal or a change to an existing one?

The report sets out RBWM's Audited Statement of Accounts for 2020/21, the External Auditors' report on their audit, the ISA260, the management responses to the matters raised in the External Auditors' report and the draft Letter of Representation to be signed by the Borough.

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2. Relevance Check

Is this proposal likely to directly impact people, communities or RBWM employees?

- If No, please explain why not, including how you've considered equality issues.
- Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)

No, it's a statutory requirement to get the Councils accounts audited and signed off

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal?

For example, users of a particular service, residents of a geographical area, staff

Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) **disproportionately represented?**

For example, compared to the general population do a higher proportion have disabilities?

What engagement/consultation has been undertaken or planned?

- How has/will equality considerations be taken into account?
- Where known, what were the outcomes of this engagement?

What sources of data and evidence have been used in this assessment?

Please consult the Equalities Evidence Grid for relevant data. Examples of other possible sources of information are in the Guidance document.



4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'.

More information on each protected characteristic is provided in the Guidance document.

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age	Not applicable		
Disability	Not applicable		
Sex	Not applicable		
Race, ethnicity, and religion	Not applicable		
Sexual orientation and gender reassignment	Not applicable		
Pregnancy and maternity	Not applicable		
Marriage and civil partnership	Not applicable		
Armed forces community	Not applicable		
Socio-economic considerations e.g., low income, poverty	Not applicable		
Children in care/Care leavers	Not applicable		

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it?

For example, adjustments needed to accommodate the needs of a particular group

Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this?

- For planned future actions, provide the name of the responsible individual and the target date for implementation.

How will the equality impacts identified here be monitored and reviewed in the future?

See guidance document for examples of appropriate stages to review an EQIA.

6. Sign Off

Completed by:	Date:
Approved by:	Date:

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	Date:
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