

AUDIT & ACCOUNTS COMMITTEE
29 SEPTEMBER 2021

APPROVAL OF THE STATEMENT OF ACCOUNTS

1.0 Purpose of Report

1.1 To obtain approval of the Council's Statutory Accounts for the financial year ended 31 March 2021.

2.0 Introduction

2.1 In accordance with the Accounts and Audit Regulations 2015 there is a legal requirement that the Statement of Accounts for the Council receive approval by an appropriate Committee by the 31 July following the end of the financial year to which the Accounts relate. However due to disruption caused by the COVID 19 virus, legislation (Amended by 2020/404 & 2021/263) was passed to change the statutory publication date to 30 September. In accordance with the Council's Constitution and the remit of this Committee, the Statement of Accounts is brought to this Committee for approval.

2.2 The contents of the accounts are largely determined by statutory requirements and mandatory professional standards as set out within the 'Code of Practice on Local Authority Accounting' and 'Standard of Professional Practice on Financial Reporting' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS).

3.0 Approval of the Accounts

3.1 Although the regulations require the accounts to be approved by a resolution of a Committee it should be noted that approval in this context has, to some extent, a different meaning from other Committee resolutions. The Responsible Financial Officer (RFO) for the District Council, the Deputy Chief Executive/Director of Resources – S151 Officer, retains responsibility for the preparation of the annual accounts and is required to certify that they present a true and fair view of the financial position of the Council at 31 March 2021.

3.2 The aim of the Regulations is for Members to demonstrate ownership of the accounting statements. In order to assist Members in doing this a training session for members of the Committee on the Unaudited Statement of Accounts and Annual Governance Statement was completed on 21 July 2021 together with the document being presented at the Committee on the 28th July 2021.

3.3 There is a statutory requirement for the accounts of Arkwood Developments Ltd and Active4Today Ltd, the Council's two subsidiary companies, to be combined with the District Council's accounts to produce Group accounts which also have to be approved by the 30 September. Also this year the Council has been required to include its 50% ownership in the group accounts of the joint venture in the company RHH Newark Ltd.

4.0 Audit of the Accounts

- 4.1 The Council's external auditors, Mazars, commenced the audit of the accounts in June 2021. As the Council relies on other external factors to influence balances and transactions within the Accounts, the statements presented are the draft set of accounts, which have substantially been audited. As Members will see during the Audit Completion Report (earlier on this agenda) there are areas of the audit that the external auditors has not yet finalised the audit work on, however they are substantially complete. Hence the statements presented in this report can only be draft.
- 4.2 One area still to be completed that is out of the Councils control is the testing of the Pensions valuations that are held on our behalf with the Nottinghamshire Pension Fund. As the Council's external auditors are unable to gain satisfactory assurance over the net pension liability figure within our accounts themselves, assurance work from the External Auditors of the Pension Fund is required, which is still outstanding. As the net pension liability figure within the Councils accounts is £95.246m, this represents a significant amount on the Council's Balance Sheet which therefore requires the assurance from the external suppliers of the figure.
- 4.3 There is a requirement that the external auditor, Mazars, provides details of all of the errors in the financial statements that need amendment within the Report. Their full Audit Completion Report can be found under agenda item 'External Auditors Audit Completion Report' and Appendix A, section 6 of the appendix fully details the summary of misstatements.
- 4.4 In the event that the accounts are required to be amended, due to a change required by the auditors, after the approval given within this report, this report recommends that delegation be given to the S151 Officer and Chairman of this committee to be able to approve the amendment.

5.0 Changes made to the Statements

- 5.1 The audit identified only two significant misstatement:
- One relates to the duplicate inputting of an HRA accrual for debtors and creditors. This meant that the Debtors and Creditors balances within the Balance Sheet were overstated. This change did not affect the outturn position.
 - The second amendment relates to the valuation of an asset for which a demolition notice had been served. The value of the asset was based upon the land only, rather than the land and buildings, albeit as at the 31st March 2021, the building had not had the demolition notice served. The adjustment was charged to the Revaluation Reserve and did not affect the outturn position.
- 5.2 All relevant statements and notes have been adjusted for the two above misstatements.

6.0 Annual Governance Statement

6.1 The Audit and Account Regulations 2015 require the Council to carry out an annual review of the effectiveness of its system of internal control. Having considered the findings of the review members are then required to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement has been reviewed and updated for 2020/2021 and is included in the Statement of Accounts. The Statement of Accounts is appended at Appendix A.

7.0 Letter of Representation

7.1 The Council's letter of representation to the external auditor attests to the accuracy of the financial statements submitted to the auditors for their analysis. In essence the letter states that all of the information submitted is accurate and that all material information has been disclosed to the auditors. The letter must be signed by the Chairman of the Audit and Accounts Committee and the Responsible Financial Officer. A copy of the letter is attached for information at Appendix B.

8.0 RECOMMENDATIONS that:

- (a) Members approve the Annual Governance Statement for the financial year ended 31 March 2021; and**
- (b) Members approve the draft audited Statement of Accounts for the financial year ended 31 March 2021;**
- (c) Members give delegation to the s151 Officer and the Chairman to sign a revised set of accounts if required as per para 4.4; and**
- (d) Members note that as per the previous report the s151 Officer and the Chairman have been given delegation to sign the Letter of Representation.**

Background Papers

Nil.

For further information contact Nick Wilson on extension 5317 or Andrew Snape, Assistant Business Manager Financial Services on extension 5523.