

Annual Accounts 2020/21

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	27 January 2022
PORTFOLIO	Resources & Performance Management
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PURPOSE

1. To present the Council's audited Statement of Accounts for 2020/21, to obtain the formal approval of the Committee to the audited accounts, and to ask that they be signed by the chair of the Committee.
2. To ask the Audit and Standards Committee to approve the Letter of Representation from the Head of Finance & Property to Grant Thornton (the external auditors) and to ask that it be signed by the chair of the Committee.
3. To inform the Audit and Standards Committee of the audit findings.
4. To ask the Audit and Standards Committee to approve the re-signed 2020/21 Annual Governance Statement.

RECOMMENDATION

5. Members are asked to:
 - a) Approve and sign the Statement of Accounts
 - b) Approve and sign the Letter of Representation
 - c) Note the audit findings
 - d) Approve the Annual Governance Statement signed as at January 2022.

REASONS FOR RECOMMENDATION

6. The deadline for publication of the draft Statement of Accounts was 31 July 2021 with the audited Statement of Accounts to be published by 30 September 2021. The draft Statement of Accounts was published within accordance with the required deadline. There has been a delay to the publication of the audited Statement of Accounts due to audit challenges faced as a result of the Covid-19 pandemic.

SUMMARY OF KEY POINTS

7. The 2020/21 Statement of Accounts have been produced under the Code of Practice on Local Authority Accounting in the UK to 2020/21 standards.
8. The deadline for publication of the draft Statement of Accounts was 31st July and the audited Statement of Accounts 30th September.
9. Despite the challenge of staff vacancies and the redeployment of staff to Covid-19 related issues, the Council was able to comply with its statutory duty to publish an unaudited Statement of Accounts by the 31 July 2021.
10. The external audit of the Statement of Accounts has now been concluded by Grant Thornton and I am pleased to report that the Council's auditors are satisfied that the accounts present a true and fair view of the Council's financial position. The audited Statement of Accounts is attached for information and final approval as Appendix 1.
11. Elsewhere on the agenda is the Auditors report on the 2021/22 Statement of Accounts and governance arrangements and the Council's approved Annual Governance Statement.
12. There have been four recommendations for the Council, which are detailed below along with our proposed actions to mitigate the recommendation:
 - Subsequent to the draft financial statement being submitted for audit, a number of changes needed to be made. Whilst we acknowledge the timetable for submission of draft accounts was met, it is important that the Council carry out quality review procedures to ensure adherence to reporting requirements within the statements.
Management Response: Management undertook an exercise to review the working paper arrangements following publication of the draft accounts. The review highlighted that the previous working papers were referencing incorrect information. These have been amended so that the process is automated for future years and these errors won't re-occur. Management will ensure that sufficient time is built into the timetable to undertake a thorough pre-publication review in future years. Staffing pressures contributed to the shortening of the 2020/21 account review period.
 - Some control issues were noted regarding the journal posting environment:
 - ◆ Three journals were posted by the Section 151 Officer. We would not normally expect senior finance personnel to post journals as there is naturally less oversight of this and it can present a risk that controls could be overridden. We tested these journals and did not find any issues. We recommend going forward that the S151 officer does not post journals.
 - ◆ One journal was posted by a finance user who had left the Council several years ago. We tested this journal and established this was an oversight as a result of a feeder template not being amended. However, there is a risk that the potential for fraud could arise if historical accounts are not fully disabled.
 - ◆ Four finance users were found to have full system administration access. There is a risk that inappropriate system changes or user access changes are made. We note however that there are compensation controls in that only IT can enable new finance users.
Management Response: These arrangements were put in place during the pandemic due to staff shortages and increased workloads resulting from the various support packages being provided on behalf of the Government. This was to ensure

that the accounts were prepared in a timely manner and to provide some resilience whilst having to operate remotely. System controls were in place to disable the accounts of staff that had left the authority. However, one of the references used on the templates had not been disabled, which has now been done. Management will ensure that a system edit log is place and reviewed on a timely basis in accordance with the recommendations.

- The valuation date of 1 April, compared to the balance sheet date of 31 March, gives rise to the risk of material misstatement due to market factors arising in a calendar year, which can be significant especially in uncertain times. It is recommended that the valuation of land and buildings is undertaken as at 31 March of the year of the accounts.

Management Response: In previous years a desktop exercise has been completed at the year end to assess whether a significant event has taken place that would affect the valuations undertaken throughout the year. Management will amend the date of future valuations to the 31 March date to remove this risk.

- Management's assessment that assets not revalued in year are materially stated at the balance sheets date has been challenged. Management have not formally considered this by way of detailed calculations. It is recommended that management complete their own assessment to confirm the value of assets not valued are fairly stated.

Management Response: The Council's internal valuer undertakes a desktop exercise at the end of each financial year, to assess whether a significant event has taken place that would affect the valuations not undertaken that financial year. Management will formalise this approach for future years.

13. The wording of the external auditor's opinion on the Statement of Accounts is contained within the auditor's Audit Findings Report (Appendix 3). Once the opinion and conclusion have been formally disclosed to the Committee they will form part of the published Statement of Accounts on the Council's website. The chair of the Audit and Standards Committee is required to sign the Statement of Accounts prior to the publication.
14. A separate VFM review is also carried out by Grant Thornton. It is anticipated that this review will be concluded in February and the findings reported to committee at their meeting in March 2022.
15. Part of the process of obtaining a favourable opinion from the external auditor is that representations are required to be made by the Chief Financial Officer about a range of issues upon which confidence is placed during the course of the audit. These representations are contained in the Letter of Representation which is attached as Appendix 2. The Head of Finance and Property, as the Council's statutory Chief Finance Officer (Section 151 Officer), will sign this letter at your meeting after discussion with the Audit and Standards Committee. In accordance with external audit requirements the Chair is also asked to sign the letter of representation.
16. The production of an Annual Governance Statement is a statutory requirement of the Council, and is to be produced in accordance with proper practice, using guidance from CIPFA, (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives). The 2020/21 Annual Governance Statement was originally reported to and approved by Committee in July 2021. An updated copy, signed as at January 2022 can be seen in Appendix 4.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

17. Audited Statement of Accounts as Appendix 1

POLICY IMPLICATIONS

18. None

DETAILS OF CONSULTATION

19. None

BACKGROUND PAPERS

20. None

FURTHER INFORMATION

PLEASE CONTACT:

**Howard Hamilton-Smith – Head of Finance
and Property**

ALSO:

Amy Johnson – Finance Manager