Bury COUNCIL

Classification: Open	Decision Type: Key

Report to:	Audit Committee	**Date:** 20 December 2021
Subject:	STATEMENT OF Accounts 2020/21	
Report of	Leader and Cabinet Member for Finance and Growth	

Summary

1. In accordance with the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021) the Draft Statement of Accounts 2020/21 was signed by the Executive Director for Finance, S151 Officer on 21st July 2021 ahead of the 31 July 2021 deadline. The Committee is required to consider and approve the audited accounts before they are published, and publication must take place as soon as reasonably practicable after the audit opinion has been received.
2. The year-end audit, carried out by our auditors Mazars, commenced on 4th October 2021 and has been substantially concluded at the time of writing this report. This report details the changes made to the Statement of Accounts arising from the findings of the audit to date.

Recommendation(s)

3. Note the changes to the Statement of Accounts 2020/21 as a result of the annual audit as detailed in paragraphs 8 to 13 and appendix 1, There has been one adjustment which has affected the outturn for the Council for 2020/21 which impacted the following statements: Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and HRA Income and Expenditure Statement. It also impacted the Group account Statements for the same statements.
4. Notes the changes to the main statements of the accounts and the relevant notes post audit. The notes affected are Expenditure and Income Analysis by nature (note 3), Expenditure and Funding Analysis (note 3, note 3A), Adjustment between funding and accounting basis under regulation (note 4), Other Operating Expenditure (note 5), Financing and Investment Income and Expenditure (note 6), Taxation and non-specific grant income (note 7), Property Plant and Equipment (note 9), Material Items of Income and expenditure (Note 8), Investment properties (note 11), Financial Instruments (note 13), Debtors (note 14), Usable reserves (note 20), Operating Activities Note (note 22) Intangible Assets (note 12), Unusable reserves (21), Revaluation Reserve (note 21.1) Capital Adjustment Account (note 21.2), Capital Expenditure and Financing (note 25), External Audit costs (29), Grant Income Credited to Services (note 30), Leases (note 31), Critical Judgement in Applying Accounting Policies(note 36)
5. Consider and approve the audited Statement of Accounts 2020/21.

6. Approve the rationale for not correcting two unadjusted misstatements and approve the rational for correcting eight misstatements.

Reasons for recommendation(s)

7. It is a legal requirement that the Statement of Accounts 2020/21 is considered and approved by this committee, following the audit, and signed by the person presiding at this meeting. The legislation sets a target date for publication of the Audited accounts of 30th September 2021. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

Alternative options considered and rejected

8. The Statement of Accounts has been prepared in accordance with statutory requirements. No other options have been considered as it is a legal requirement that the Statement of Accounts is prepared, and signed by the person presiding at this meeting, following completion of the audit.

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Background

9. There are a number of adjustments to the Statement of Accounts arising from the findings of the audit. One of these adjustments affected the Outturn reducing the underspend for 2020/21 by £3.341M. The Councils outturn has changed from a £2.538M surplus pre audit to a £0.822M deficit post audit
10. The updated Statement of Accounts is available at Appendix B The main adjustments to the statements are outlined below, with further details in Appendix 1:
    a. Investment Properties – It was identified during the audit that an additional piece of land, which is leased had not been included by the valuer in their report. This led to the accounts being £0.605M understated on the balance sheet and therefore the accounts were adjusted to include this.
    b. There has been a change in regulations which allows us to create an unusable reserve for the dedicated Schools Grant (DSG) deficit. A revision to the accounts to reflect this was made following the draft version of the accounts. This is a time limited amendment to the regulations.
    c. Covid Grants received – The full value of the Covid Grant received and related expenditure had been posted to the Debtor and Creditor

accounts rather than the net position as either a debtor or creditor. This was amended to reflect the correct accounting.

d. Housing Benefit Overpayment Debtor – The HB Overpayment debtor is calculated as a movement from the previous year. The movement had been correctly accounted for, but the starting position was not aligned to the external system. This was corrected to ensure not only the movement but the starting and closing positions were aligned. This caused an impact to the outturn and reduced it by £3.341M
e. PPE – Classification of Assets. A number of assets were incorrectly classified as investment properties when they should have been classified as other land and buildings within PPE. These Assets have been reclassified.
f. Our HRA dwellings were Valued at 1st April 2020 as required and an increase in value between this date and 31st March 2021 is required to be calculated. This adjustment was originally omitted in error but has since been included which increases the value of HRA properties on the balance sheet
g. Assets are held on our fixed asset register and depreciated in accordance with their category and life. It became apparent that in some cases this life was incorrect, and a review of asset lives was undertaken and a recalculated value of depreciation used. This adjustment included adjustments to the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Capital Adjustment Account but resulted in no change to the outturn.
h. Academisation of Schools. When a school coverts to an academy the land and building must transfer to the academy and the council must treat this transfer as a disposal of PPE assets. We had two schools covert during 2020/21 but the draft accounts only held the details of one. The second conversion has now been reflected in the accounts.
i. Internal Recharges. The council undertakes internal recharges to ensure the full cost of services are accounted for. Following a review by the finance team they identified £4.9M of income and expenditure which had been incorrectly classified as internal recharges. This was corrected following the review.

11. The full details of adjustments to the statements and notes are detailed in Appendix 1.

Unadjusted Audit Differences

12. Provisions – Sample testing of the provisions identified a provision which should have been reclassified as a reserve. This will be reclassified during 2021/22. This error has been extrapolated across the provisions balance to suggest the value of misstatement may be £1.569M
13. Gross Expenditure – Sample testing of the expenditure identified an error of £20,000 which was classified as expenditure but should have been classified as a reduction in income. This error has been extrapolated across all expenditure to suggest the value of misstatement may be £0.584M

14. We have not corrected the accounts on either of these audit differences because:
    a. They are below the materiality level both individually and in aggregate.
    b. They were extrapolated rather than identified in full.

Statement of Accounts

15. The Statement of Accounts is a complex document and the layout and information provided are defined by statutory requirements. The key issues that should be drawn to the attention of Committee were presented at its meeting on 20th December 2021. A copy of this is available at Appendix B

Links with the Corporate Priorities:

Please summarise how this links to the Let's Do It Strategy.

16. A strong financially sustainable Council is essential to the delivery of the Let's do it Strategy.

Equality Impact and Considerations:

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

> *A public authority must, in the exercise of its functions, have due regard to the need to -*
>
> (a) *eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
>
> (b) *advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
>
> (c) *foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Environmental Impact and Considerations:

Please provide an explanation of the carbon impact of this decision.

17. There are no implications to an increased carbon impact of this decision

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Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
There is a risk of misstatement	Accounts are reviewed by Mazars and their opinion of these accounts is independent to the council.

Legal Implications:

The localised accounts process was established pursuant to the Local Audit and Accountability Act 2014, the system ensures that the Councils accounts are independently verified by the Council's external auditors Mazars ensuring good governance and financial transparency.

This report is submitted to Audit committee in accordance with the financial regulations as set out in the Council constitution.

Financial Implications:

The statement of accounts are an essential part of any organisation and represent the financial position of the business for that particular financial year. For public sector organisations they are statutory and give the public and central government assurance that tax payers money is being expended in an economic and efficient way. These accounts not only report the in year position but also the future stability of the organisation through the strength of its balance sheet and cash flow.

The draft accounts have previously been reported to Audit Committee and the draft financial outturn position was subsequently reported to Cabinet. These accounts now represent the post audited position and whilst they reflect a worsening in the outturn it should be noted that in doing so this is recognising an error that has been unidentified for a significant number of years.

Background papers:

Please list any background documents to this report and include a hyperlink where possible.

Appendix A – Changes from the Draft Accounts to the Final accounts

Appendix B – Statement of Accounts 2020/21