

**FINANCE, AUDIT AND RISK COMMITTEE
7 SEPTEMBER 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: STATEMENT OF ACCOUNTS 2019/20

REPORT OF THE SERVICE DIRECTOR- RESOURCES

EXECUTIVE MEMBER: *NON-EXECUTIVE*

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to ask Finance, Audit and Risk Committee to approve the audited Statement of Accounts for 2019/20. The Annual Statement of Accounts has been subject to external audit and a draft is enclosed with the report as Appendix A.

2. RECOMMENDATIONS

- 2.1. That the draft 2019/20 Annual Statement of Accounts, as set out in Appendix A, be approved based on the draft Audit Results report.
- 2.2. That subject to the final Audit Results report not requiring any substantial changes, the Committee delegates to the Chair of the Committee the final approval of the 2019/20 Annual Statement of Accounts. This will include confirming that the Chair of the Committee can sign the Statement of Accounts to confirm that they have been approved by the Committee.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None. The Authority is required to prepare an annual Statement of Accounts and must follow accounting practices guidance issued by the Secretary of State and follow 'proper practices' governing the preparation of the annual Statement of Accounts (Section 21 of the Local Government Act 2003).

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation on the Statement of Accounts is not required.
- 5.2 The draft Statement of Accounts was published on the Council's website at the end of June 2020.
- 5.3 The accounts are subject to audit by the Council's External Auditors, Ernst and Young LLP.
- 5.4 Under the Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15), members of the public and Local Government electors have certain rights in respect of the audit process. This includes inspection of the accounts, associated documents and being able to ask questions. This opportunity was advertised in accordance with the regulations. No one took up this opportunity.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Council is legally required to produce a statement of accounts detailing the financial activities for the year and overall financial position as at 31 March. Generally it has a statutory responsibility to publish its draft Statement of Accounts by 31 May, and that an audited version should be approved by 31 July 2020. Due to the implications of the Covid-19 pandemic the deadlines have been extended, and an audited version should be approved by 30 November 2020.
- 7.2 The Council's external auditors, Ernst & Young LLP, have carried out the vast majority of their audit work during July and August. Their draft report will be presented to Members at this meeting tonight.

8. RELEVANT CONSIDERATIONS

- 8.1. A draft of the audited version of the Statement of Accounts is attached at Appendix A.
- 8.2. As detailed in the draft Audit Results report from Ernst and Young LLP (also on the agenda for this meeting), they have not yet completed all of their audit work and therefore are not in a position to issue a final Audit Results report. While they do not expect that the remaining work will require any significant changes to the Statement of Accounts, it is possible that there might be some minor changes required in relation to pensions. This therefore requires a change to the usual recommendation that would accompany this report. The Committee are asked to approve the Statement of Accounts based on the draft Audit Results Report, and to delegate to the Chair of the Committee the final approval when the final Audit Results Report is issued.

This will be on the basis that there are no substantial changes required, as if there are then the Statement of Accounts will be brought back to the Committee for approval. Once finally approved, the Statement of Accounts will be formally signed. The Chair will sign page 1 of the Statement of Accounts to confirm that they have been approved by the Committee. The Service Director- Resources (as the Council's Chief Finance Officer) will sign the Statement of Responsibilities (page 1 of Appendix A) to certify that the statement of accounts give a true and fair view of the financial position of the Authority as at 31 March 2020 and its income and expenditure for the year then ended. The Service Director- Resources (as Chief Finance Officer) and the Chair of the Committee will also sign the Letter of Representation on behalf of the Council. The wording of the Letter of Representation can be found as an appendix to the Audit Results Report document, which will be presented by Ernst & Young this evening.

- 8.3 The Narrative Report (page 6 of Appendix 1) within the statement of accounts provides an overview of how the accounts are presented and highlights the most significant matters.
- 8.4 Officers are not aware of any events that have occurred since the year end that provide additional evidence of conditions that existed at the 31 March 2020 or materially affect the amounts included in the Statement of Accounts. In particular there has not been any subsequent event that would require an amendment to the contingent assets and liabilities listed in the accounts. The implications of the Covid-19 pandemic were already being felt by the Council at the 31st March and have continued to have significant impacts since. A summary of this is provided in the narrative report. There is also a justification on page 43 that it is still appropriate to prepare the accounts on a Going Concern basis.
- 8.5 In note 36 (Related Party Transactions) on page 76 there are two amounts that are still to be confirmed. These relate to the Council's share of any profit in relation to Hertfordshire Building Control Limited and Hertfordshire CCTV Partnership Limited. These amounts will only be available when the audits of the respective company accounts are complete. The amounts involved are not material or significant to the accounts overall. When the amounts are available then the Statement of Accounts will be updated.
- 8.6 The Annual Governance Statement (AGS) is also recommended to be approved by Finance, Audit & Risk Committee at this meeting tonight. The Council has a legal duty to ensure that the publication of the Statement of Accounts is accompanied by the publication of the Annual Governance Statement.

9. LEGAL IMPLICATIONS

- 9.1. The Accounts and Audit Regulations 2015 determine how and when the Annual Statement of Accounts should be approved and published. For 2019/20 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have amended the dates by which the accounts have to be prepared and approved.

- 9.2. The Accounts and Audit Regulations 2015 (section 9) state the accounts should be signed and dated by the Member presiding at the meeting which formally approves the accounts. Under the constitution, the Finance, Audit & Risk Committee has responsibility to “review and approve the Statement of Accounts” (constitution 10.1.5a).
- 9.3. The Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15) grant members of the public and Local Government electors certain rights in respect of the audit process.
- 9.4 The Local Government Act 2003 (section 21) determines that the Council must follow ‘proper practices’ in the preparation of the annual Statement of Accounts.

10. FINANCIAL IMPLICATIONS

- 10.1 The outturn reports were presented to Members in June. These provided the end of year position of the general fund, other reserves and capital expenditure. None of the changes to the Statement of Accounts identified from the audit have resulted in any change to the outturn position reported.

11. RISK IMPLICATIONS

- 11.1 The process of compiling the Statement of Accounts is a control mechanism to help mitigate against the risk of poor financial management and is a way the Council can demonstrate to the public how it has managed its resources and acted in its responsibility as a steward of public funds

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to *this report*.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct human resource implications arising from this report.

16. APPENDICES

- 16.1 Appendix A - Draft Audited Statement of Accounts 2019/20

17. CONTACT OFFICERS

17.1 *Ian Couper, Service Director- Resources, ian.couper@north-herts.gov.uk, Ext 4243*

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18. BACKGROUND PAPERS

18.1 *None*