

**FINANCE, AUDIT AND RISK COMMITTEE**  
**15 June 2022**

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: STATEMENT OF ACCOUNTS 2020/21**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: *NON-EXECUTIVE*

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

**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 2020/21. The Statement of Accounts has been subject to external audit and a draft is enclosed with the report as Appendix A. The final Audited Statement of Accounts for 2020/21, which will include the external audit opinion, is expected to be ready for sign off shortly and will be circulated to Committee members for their review in the coming days.

**2. RECOMMENDATIONS**

- 2.1. That the 2020/21 Annual Statement of Accounts, as set out in Appendix A, be approved and signed by the Chair of 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 2020/21 was published on the Council's website at the end of July 2021
- 5.3. The accounts are subject to audit by the Council's External Auditors, Ernst and Young LLP (EY).
- 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 annually produce a statement of accounts detailing the financial activities for the year and overall financial position as at 31st March. Generally it has a statutory responsibility to publish its draft Statement of Accounts by 31st May, and that an audited version should be approved by 31st July 2021. Due to the implications of the Covid-19 pandemic, however, these deadlines have been extended. The Council published unaudited accounts by the revised deadline of 31 July 2021. An audited version should have been approved by 30th November 2021. This was delayed by resourcing issues at Ernst & Young LLP. In line with legislation, the Council published a notice on its website detailing this delay, alongside a letter from Ernst and Young: [Statement of Accounts | North Herts Council \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/Statement-of-Accounts).
- 7.2. The Council's external auditors, Ernst & Young LLP (EY) commenced their audit work in November 2021. The Provisional Audit Results report was presented to the Committee in March 2022. Work to complete the audit has been ongoing since then, resulting in only minor updates and amendments to the Statement of Accounts, which are highlighted in the version at Appendix A. As the final Audit Results report was therefore not ready in time for the previous Chair of Committee to approve and sign the Statement of Accounts in accordance with the delegation agreed at the last meeting in March, the Statement of Accounts for 2020/21 has been brought back to Committee for approval at the meeting this evening.

## **8. RELEVANT CONSIDERATIONS**

- 8.1. A draft of the audited version of the Statement of Accounts is attached at Appendix A. The Narrative Report within the statement of accounts provides an overview of how the accounts are presented and highlights the most significant matters. Changes from the draft unaudited accounts published in July 2021 are highlighted in yellow. The final signed version of the accounts will have these highlights removed. As the audit is not fully complete at the time of writing this report, any further changes identified will be presented either as a verbal update (if very minor) or an addendum report
- 8.2. The only changes of note in the version of the statement of accounts at Appendix A from the draft accounts published last July relate to the accounting for the Council's share of the Hertfordshire Pension Fund, following the audit of the Hertfordshire Pension Fund accounts. The draft 2020/21 accounts for the Pension Fund had included some asset values that were based on a measurement as at the end of the third quarter of the financial year. It was subsequently established during the audit that there were large movements in these asset values during the final quarter, the materiality of which was such that it required both the asset values to be restated in the Pension Fund Accounts and, consequently, the pension estimates for North Herts Council to be recalculated by the Pension Fund actuary accordingly. The accounts as published at Appendix A therefore reflect the updated position. All other changes highlighted are minor corrections or updates to disclosure notes and do not change the summary financial position for the Council as presented in the unaudited accounts.

- 8.3. The Committee will see in the Audit Results Report from EY that the Council has chosen not to adjust for two differences, one in respect of pension values and the other relates to property valuations. Both of these are non-material and will not affect the audit opinion. The main reason for not adjusting for these is that they do not have a General Fund impact, only affect unusable reserves and relate to areas of the Balance Sheet that are already subject to significant estimation (i.e. property and pension valuations). Also, as well as being below the EY audit materiality threshold, they are immaterial in the context of the specific items which they are part of.
- 8.4. The pensions difference is an estimate and to do a full correction would require an updated report from the actuary. As the actuary made the original mistake, this valuation report would be provided without charge. There would however still be an impact on the Council and Ernst and Young in actioning and then auditing the changes. Given where we are with the timing of the audit, this is felt to not be a good use of time. The estimated difference of £454k is not significant in the context of pension fund scheme assets of over £151m.
- 8.5. The property valuation difference is essentially down to a difference of professional opinion between the Council's valuer and the EY Real Estates valuer. Both believe that they are correct in their understanding of the RICS (Royal Institute of Chartered Surveyors) valuation rules and their understanding of the property market/ land values. There is no simple way to correct this situation. The estimated difference of less than £1.336m is not significant in the context of total Property, Plant and Equipment assets of over £98.7m.
- 8.6. Once approved by the Committee, 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 2021 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 final Audit Results Report document presented by EY this evening. This will be amended to include an explanation of the reason that the Council will not be adjusting for the uncorrected differences. It will state that "we have not corrected these differences identified by and brought to the attention from the auditor because they do not have a General Fund impact, only affect unusable reserves and relate to areas of the Balance Sheet that are already subject to significant estimation. As well as being below the audit materiality threshold, we believe that they are immaterial in the context of the specific items which they are part of. The estimated pension difference of £454k is not significant in the context of pension fund scheme assets of over £151m. Similarly, the estimated property valuation difference of less than £1.336m is not significant in the context of total Property, Plant and Equipment assets of over £98.7m."
- 8.7. Officers are not aware of any events that have occurred since the year end that provide additional evidence of conditions that existed at 31<sup>st</sup> March 2021 or materially affect the amounts 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 are detailed in the accounts and the Narrative Report. There is also an extended justification on that it is still appropriate to prepare the accounts on a Going Concern basis.

- 8.8. The Annual Governance Statement (AGS) is required to be approved in advance of approving the Statement of Accounts. This was approved at the meeting of the Committee in March 2022. The Council will 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 2020/21 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 2021. 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” policy 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 Statement of Accounts 2020/21 (current version at the time of writing the report).

**17. CONTACT OFFICERS**

17.1. Ian Couper, Service Director – Resources  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk); ext 4243

17.2. Antonio Ciampa, Accountancy Manager  
[antonio.ciampa@north-herts.gov.uk](mailto:antonio.ciampa@north-herts.gov.uk); ext 4566

**18. BACKGROUND PAPERS**

18.1. None.