

AUDIT AND STANDARDS COMMITTEE

27 April 2020

Title: Preparation of the 2019-20 Statement of Accounts & External Audit	
Report of the Chief Operating Officer	
Open Report	For Information
Wards Affected: All	Key Decision: No
Report Author: Thomas Mulloy, Chief Accountant	Contact Details: E-mail: Thomas.Mulloy@lbbd.gov.uk
Accountable Director: Philip Gregory, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Chief Operating Officer & S151 Officer	
Summary <p>The Council is required by the Accounts and Audit Regulations 2015 to publish its audited Annual Accounts by the 31 July each year. However, due to the current Covid-19 circumstances, the regulations have been amended to move the following deadlines:</p> <ul style="list-style-type: none">- Draft Statement of Accounts 2019-20 – previously due by 31 May 2020, now changed to 31 August 2020- Audited Statement of Accounts 2019-20 – previously due by 31 July 2020, now changed to 30 November 2020 <p>This report outlines the process, plan and timetable for preparing the Statement of Accounts for 2019/20 to enable the Council to discharge its statutory responsibilities and publish the audited accounts by the 30 November 2020.</p> <p>The report also considers the lessons learned from the 2018/19 audit process in order to ensure continuing improvements in the closing processes for the future.</p>	
Recommendation(s) <p>The Committee is recommended to note the preparatory work which has been undertaken by Officers to plan and prepare for the closure of the 2019/20 Statement of Accounts to enable the audited accounts to be published by 30 November 2020.</p>	
Reason(s) <p>To advise members of the Audit and Standards Committee of the preparatory work and planning and timetable for which have been put in place to ensure that the Council achieves the statutory deadline of publishing the Annual Accounts.</p>	

1. Introduction and Background

- 1.1 The Accounts and Audit Regulations (Coronavirus) (Amendment) 2020 require the Statement of Accounts for 2019/20 are prepared by the 31 August and audited by the Council's external auditors by the 30 November with the publishing of the audited accounts immediately following the audit.
- 1.2 The audit of the annual accounts forms an important element of the overall financial control framework for a Local Authority. The process gives local taxpayers a public right of access to examine the Council's statement of Accounts and supporting records enabling them to hold to account the Council in relation to its spending and financial performance. This provides local electors with confidence that the Council is exercising proper stewardship over monies raised by the Council and that the Council is discharging its fiduciary responsibility to tax payers by achieving value for money in the disbursement of monies upon the services for which the Council is responsible.
- 1.3 Given the audit of 2018/19 Statement of Accounts is still on-going, the above deadlines will help ensure the Council has maximum time to review all the working papers and to incorporate any findings from 2018/19 accounts audit into the production of 2019/20 Statement of Accounts.
- 1.4 This report updates members on all of the work that has been undertaken to ensure that the Council achieves the statutory deadlines for 2019/20.

2. Closing of Final Accounts Timetable & Guidance to Finance Managers

- 2.1 The Council has opted not to change the timetable for closing accounts from last year. This is because the Council managed to deliver the draft Statement of Accounts by 31 May last year.
- 2.2 Instead, the extension in the deadline this year will be used for a detailed Quality Assurance programme to be carried out on the Council's draft 2019/20 Statement of Accounts and its working papers. The Council will work with our external auditors, BDO, to agree on a certain format of working papers for audit purposes.
- 2.2 As this is an annual process, a series of training workshops have been delivered for Finance Managers who have been through the process previously, but who needed an update on any changes. These workshops have incorporated lessons learnt from errors identified during the 2018/19 audit.
- 2.3 The Council is mindful of the potential impact of the Coronavirus and is working within the guidelines from government. There may be a detrimental impact on staffing resources either within the Council or BDO. This will be kept under review.

3. 2018/19 Closing of Accounts – Lessons Learnt

- 3.1 Although the audit of 2018/19 Statement of Accounts has not been concluded, there are clear areas identified as requiring significant improvements which the Council and BDO agree upon. These fall under the following categories:
 - Grant Income

- Debtors/Creditors
- Group Accounts

The above areas are explained in detail below:

3.2 Grant Income

A new monitoring process has been set up and was in use for the duration of 2019/20. As a result, the finance team has been able to coordinate the collection of data relating to grant income. A reconciliation has been carried out on a monthly basis for each finance directorate.

3.3 As part of the reconciliation process, all working papers including the grant notification letter, award letter and confirmation of amounts along with a description of any stipulation (i.e. restriction and/or conditions attached to the grant) is collected throughout the year. Where the grant is collected in instalments, it is shown as one line in the consolidated grant register list.

3.4 As a result, the finance team has a clear list of all grant income and this list, once consolidated at year end, will form the basis for audit sampling and all the working papers will be clearly referenced. These working papers will be uploaded to BDO's secure online portal. This will help reduce the amount of time spent in audit sampling and testing as all the information will be made available at the outset of the audit.

3.5 Debtors/Creditors

Work has been carried out to make year end debtors and creditors more transparent. This has involved:

- Regular balance sheet reconciliations
- Creation of new balance sheet cost centres to represent each owner
- Year end accruals being reviewed centrally i.e. all year end accruals are subject to additional sign-off internally
- More emphasis on reviewing PO variances and correcting variances ahead of year end
- Coordination of balances into a schedule for ease of sampling and testing by BDO

As a result, the above work should help provide a clear audit trail for BDO in their sample testing.

3.6 Group Accounts

This has been problematic during the 2018/19 accounts audit. Last year was the first year the Council has had to produce Group Accounts consolidating all the wholly owned subsidiaries. Due to the complexities of the subsidiaries, the time taken to produce a set of fully compliant Group Accounts was longer than expected and also the fact the subsidiaries were subject to audit at the same time as the Council's accounts meant assurance could not be gained until the audits of the subsidiaries were concluded.

The extension of the original set of deadlines will help with the logistics. The Council will aim to complete the audits of the subsidiaries ahead of the audit finalisation of the Council's accounts audit. This will mean BDO will gain the necessary assurance

over the figures. This will then provide them with the necessary assurance over the Council's Group Accounts.

- 3.7 There were also some issues relating to data from Schools for the purposes of year end accounting. Work has been put in place to strengthen the procedures for collecting data from schools in a timely manner so that more up to date data can be included in the draft accounts. The extra time due to Coronavirus will enable the Council to use the most recent data from Schools.
- 3.8 Going forward, the Council has BDO as external auditor for the next four years and is keen to build on our working relationship. This is particularly important as the Council will acquire a new Financial System which will come into use by the end of 2021.

4. Financial Implications

- 4.1 These have been addressed in the body of this report.

5. Legal Implications

Implications completed by: Dr Paul Feild Senior Governance Solicitor

- 5.1 The Local Audit and Accountability Act 2014 (the '2014 Act') requires that the Council as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the 'Regulations'). Regulation 9 sets out a timetable and requires certification by the Council's responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution.
- 5.2 As mentioned in the body of this report the final date for the Council to publish its audited Annual Accounts by has been extended by the Accounts and Audit Regulations (Coronavirus) (Amendment) 2020 to 30 November 2020.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- None