



Northumberland County Council

AUDIT COMMITTEE

28 July 2021

The Statement of Accounts 2019-20

Report of Jan Willis – Interim Executive Director of Finance & Section 151 Officer

Cabinet Member: Richard Wearmouth - Deputy Leader and Portfolio Holder for Corporate Services

1. Purpose of the Report

- 1.1. To seek approval of the Council's statement of accounts for the financial year ended 31 March 2020.

2. Recommendations

- 2.1. It is recommended that Audit Committee approve the Statement of Accounts for the Council for the financial year ended 31 March 2020.

3. Link to the Corporate Plan

- 3.1. This report is relevant to all priorities included in the NCC Corporate Plan 2018-2021.

4. Key Issues

- 4.1. In accordance with the statutory deadlines, the draft (unaudited) statement of accounts for Northumberland County Council for the financial year ended 31 March 2020 was authorised by the responsible financial officer and published on the Council's website on 31 July 2020.
- 4.2. During August and September three drop-in sessions were arranged for members of Audit Committee to speak to officers regarding any issues or points of clarification sought by Members.
- 4.3. Approval needs to be given to the statement of accounts by resolution of the Council's Audit Committee. This approval will take account of the views of the External Auditor. Once approved, the statement of accounts must be published on the Council's website.
- 4.4. The accounts have been subject to review by the External Auditor (Mazars LLP). A number of amendments have been identified and have been included in the statement of accounts presented today.

4.5. The External Auditor intends to issue an unqualified opinion on the financial statements of the Council. Work on the value for money conclusion is still ongoing.

5. Background

5.1. The published accounts are important in demonstrating the Council's stewardship of public money. They show the resources available to the Council and how they are used to deliver services to the people of Northumberland. The Statement of Accounts for 2019-20 has been compiled in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy.

5.2. The Accounts and Audit Regulations 2015 stipulates a two-stage approval process for the statement of accounts. The first statutory deadline usually requires that the responsible financial officer, by no later than 31 May should sign and certify that the statement of accounts presents a true and fair view of:

- (a) the financial position of the Council for the year to 31 March previous, and
 - (b) its expenditure and income for the year to 31 March previous,
- subject to the views of the External Auditor.

5.3. The second stage required that on or before 31 July approval needs to be given to the statement of accounts by resolution of a Committee, which for Northumberland County Council is the Audit Committee. This approval will take account of the views of the External Auditor. Once approved, the statement of accounts must be formally published on the Council's website.

5.4. However, the statutory deadlines were extended for the 2019-20 year due to the impact of Covid-19 on local authorities. The key changes for the publication of accounts for 2019-20 are as follows:

- (a) the deadline for the Council to publish its draft accounts was 31 July 2020 (not 31 May); and,
- (b) the deadline for publication of its final (audited) accounts moved from 31 July to 30 November 2020.

5.5. The first stage was completed on 31 July 2021.

5.6. There has been a significant delay in relation to the second stage of the process in completing the audit of the accounts. This is as a result of several factors some of which were outside of the Council's control and due to the following:

- (a) this has been Mazars first year of undertaking the audit of the Council's accounts which has meant that Mazars staff have had to undertake further substantial testing of balances brought forward and prior year information. Additional evidence was required which often resulted in follow up queries, as detailed below which took time to gather as Finance staff liaised with the Property Department and external valuers.

(b) there has been substantial additional verification checks made on the Council's property, plant and equipment valuations for the year, with significant additional work undertaken to evidence in particular building floor areas which the valuations had been based on. Also, the Council needed to procure an additional valuation report on the Council's Waste PFI plant. The Council's valuer BNP Paribas Limited was required to provide responses to a high volume of audit queries, some of which required revised valuations resulting in significant delays. Further work was also carried out to provide assurance that there had been no material change in the Council's non-valued assets, since the last date of valuation. The Council has now commenced a procurement process to replace the current valuer and has built specific requirements into the tender specification in order to avoid a repeat of the issues encountered during the 2019-20 audit, detailed above. This is expected to be in place by September in preparation for the 2021-22 accounts.

- 5.7. The External Auditor has completed the audit of the statement of accounts and the Interim and Final Audit Completion Reports are to be presented by the auditor to the Committee today.
- 5.8. During the audit, working in collaboration with the auditor, a number of amendments were identified which have been included in the statement of accounts presented today.

6. Statement of Accounts

- 6.1. The statement of accounts for the financial year 2019-20 has been prepared in accordance with the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the Accounts and Audit (England) Regulations 2015 and the Code of Practice on Local Authority Accounting 2019-20 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 6.2. The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 6.3. During the audit review of the draft statement of accounts, a number of 'misstatements' were identified which have since been amended. These are listed in Section 4 of both the Interim and Final Audit Completion Reports.
- 6.4. In addition, a number of changes have been made to the notes to the core financial statements to correct errors and ensure compliance with the requirements of the Code.
- 6.5. There were a number of non-material misstatements identified which remain unadjusted. These are also listed in Section 4 of the Interim and Final Audit Completion Reports. As the unadjusted misstatements do not materially affect the

accuracy/integrity of the statement of accounts, no adjustments have been made for these items.

- 6.6. Upon completion of the audit of the accounts, a 'letter of representation' will be produced which will contain the reasons for not adjusting any items.
- 6.7. To help Members in reading and interpreting the contents, Appendix 1 to this report briefly explains the purpose of each section of the statement.

IMPLICATIONS ARISING OUT OF THE REPORT

Policy	None.
Finance and value for money	The Statement of Accounts summarises the financial performance of the Council for the 2019-20 financial year and shows its net worth as at 31 March 2020. The figures included in the Statement of Accounts must represent a true and fair view of the Council's financial position and the External Audit testing and opinion on these figures is a significant part of this process.
Legal	There are no direct legal implications contained within this report.
Procurement	There are no direct procurement implications contained within this report.
Human Resources	There are no direct HR implications contained within this report.
Property	There are no direct property implications contained within this report.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	There are no direct equalities implications contained within this report.
Risk Assessment	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place. Once the accounts are signed off a full "lessons learned" review will be undertaken to inform arrangements for the 2020-21 year end.
Crime & Disorder	There are no direct crime and disorder implications contained within this report.
Customer Considerations	There are no direct customer consideration implications contained within this report.
Carbon Reduction	There are no direct carbon reduction implications contained within this report.
Health & Wellbeing	The Council's budget is founded on the principle of promoting inclusivity.
Wards	All wards in Northumberland.

Background Papers:

Northumberland County Council Draft Statement of Accounts 2019-20

Report to Audit Committee 29 July 2020: Annual Governance Review and Annual Governance Statement 2019-20

Report to Audit Committee 30 September 2020: Review of Preparation of the 2019-20 Annual Governance Statement

Report to Audit Committee 27 January 2021: Northumberland County Council – Consideration of ‘Going Concern Status’ for the Statement of Accounts for the year ended 31 March 2020

Report sign off:

	Name
Deputy Monitoring Officer/Legal	Helen Lancaster
Interim Executive Director of Finance & S151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Daljit Lally
Portfolio Holder(s)	Richard Wearmouth

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Item	Pages	Explanation of Purpose and Content
Narrative Report		To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Independent Auditor's Report to Northumberland County Council		Once the audit is complete the Auditor's report will be signed
Statement of Responsibilities		Sets out the responsibilities of the Council and of the Interim Executive Director of Finance & Section 151 Officer for the statement of accounts.
Core Financial Statements		
Comprehensive Income and Expenditure Account (CIES)		This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement		This statement shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves and other reserves.
Balance Sheet		The balance sheet shows the value of the assets and liabilities recognised by the Council as at 31 March. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
Cash Flow Statement		The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
Notes to the Accounts		The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information

Item	Pages	Explanation of Purpose and Content
		required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.
Housing Revenue Account		The Housing Revenue Account (HRA) is a ring-fenced account and records expenditure and income relating to the running of the Council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants.
Collection Fund Account		The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Group Accounts		The Group accounts consolidate the results and balances of the Council with those organisations considered to be part of the Group. On the 13 November 2018, the Arch Group was re-organised with Arch (Corporate Holdings) Limited being removed as the Group holder and replaced with Advance Northumberland Limited. Arch (Corporate Holdings) Limited remains within the Council's Group but ceased trading at this point and is now dormant.
Firefighters Pension Fund		The Firefighters' Pension Fund shows Employee and Employer contributions being paid into the fund, offset by Pension payments being paid out of the fund. The shortfall is met by central government grant

Item	Pages	Explanation of Purpose and Content
		from the Home Office.
Northumberland County Council Pension Fund Account		Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March. Notes providing further information follow the accounts
Annual Governance Statement		Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the council.
Glossary of Terms used in the Accounts		To assist readers in understanding terminology used in the statement of accounts.