

North Tyneside Council Report to Audit Committee Date: 6 October 2021

2020/21 Annual Financial Report

Report from: Finance

Responsible Officer: Janice Gillespie, Director of Resources **Tel: 643 5701**

Wards affected: All

PART 1

1.1 Executive summary:

- 1.1.1 The purpose of this report is to provide the Audit Committee with an update on the progress for the completion of the 2020/21 Audited Annual Financial Report in accordance with Section 9 (2) of the Accounts and Audit Regulations 2015.
- 1.1.2 This report and supporting appendix present the draft Audit Results Report which details the current progress of the External Audit of the Authority's 2020/21 Financial Statements by Ernst and Young.

1.2 Recommendation(s):

The Audit Committee is recommended to:

- (a) Note the progress to date of the audit and acknowledge receipt of the draft Audit Results Report from Ernst and Young; and
- (b) Approve the 2020/21 Audited Annual Financial Report

1.3 Forward plan:

- 1.3.1 This report is contained in the forward plan of the Audit Committee.

1.4 Council plan, policy framework:

- 1.4.1 The Annual Statement of Accounts covers all the service responsibilities as identified within the Council Plan.

1.5 Information

1.5.1 Background

It is a requirement of Section 9 (2) of the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code that the Authority approves its audited Annual Financial Report for the financial year.

The requirements and timeline for the approval of a local authority's Statement of Accounts are set out in the Accounts and Audit Regulations 2015. However, due to the impact of the COVID-19 pandemic the Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that came into force on 31 March 2021. The Accounts and Audit (Amendment) regulations 2021 extend the statutory audit deadlines for 2020/21 and 2021/22 for all local authorities. The publication date for audited accounts has moved from 31 July to 30 September 2021 for all local authority bodies.

1.5.2 This is the third year that the Authority's audit has been undertaken by Ernst and Young. Building on the successful process undertaken over the last 2 years, the overall audit, to date, has been positive and Officers have been working closely with the External Audit team to ensure all aspects of the audit are dealt with promptly.

1.5.3 The audit of the 2020/21 accounts is substantially complete and an unqualified audit opinion is expected to be issued. The 2020/21 Audit Results Report notes that no material errors have been identified in the financial statements at this stage.

A number of disclosure errors have been identified during the audit and the majority of these have been corrected and are reflected in the Annual Financial Report. The significant adjustments required relate to the following items and are described in more detail in the Audit Results Report:

- (a) The Authority received COVID-19 funding in the form of Local Restrictions Grant Funding income. This income is disclosed in the financial statements as a grant credited to services and is included within income in the Comprehensive Income and Expenditure Statement. The grant should be accounted for on an agency basis (i.e., excluded from revenue in the Authority's financial statements), as the Authority is passing on the funding to other organisations on behalf of central government. The total value of this funding is £14.696 million.
- (b) Note 14 – Officers' Remuneration – Exit Packages, a number of banding errors and disclosure errors have been identified by External Audit. These will be corrected by management

It should be noted that these adjustments do not impact on the Authority's reserves and balances. A copy of the Audit Results Report is attached as Appendix A. A final version of the audited accounts will be available once published on the council's website.

1.5.4 The Audit Committee received the draft 2020/21 Annual Financial Report for consideration on 28 July 2021. On 20 September 2021 the Authority received a revised report from the Actuary in relation to the pension fund, there is a need to update the draft accounts to reflect changes to the pension deficit. Appendix C sets out the changes to the draft Annual Financial Report as a result of this. This

change has also led to additional testing which needs to be undertaken by the External Auditor as part of their audit work.

The external audit of the draft statement of accounts for the year ended 31 March 2021 has not yet been completed by our external auditors, EY LLP, due to the late requirement to adjust the financial statements in light of the revised Actuary report in relation to the pension deficit. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. Therefore, this notification explains, as per paragraph (2a), that the Authority is not yet able to publish our audited 2020/21 final statement of accounts in line with deadline of 30th September 2021, as per paragraph (1).

It is anticipated that the External Audit will be completed within the first 10 working days of October and at this stage it is not anticipated that there will be any material errors which will significantly change the financial statements. The Audit committee are therefore recommended to approve the recommendations as set out in section 1.2.1 of this report.

1.6 Decision options:

The options available are:

- (a) To accept the recommendations made in section 1.2.1; or
- (b) To reject the recommendations made within this report.

1.7 Reasons for recommended option:

The production of an Audited Annual Financial Report is a requirement of the Accounts and Audit Regulations 2015.

1.8 Appendices:

Appendix A: Audit Results Report for 2020/21 (Previously circulated)
Appendix B: 2020-2021 Annual Financial Report (Previously circulated)
Appendix C Adjustments to the key financial statements

1.9 Contact officers:

Janice Gillespie, Director of Resources, Tel 643 5701
Claire Emmerson, Senior Manager Financial Strategy & Planning, Tel 643 8109
Peter Weir, Principal Accountant, Tel 643 8066

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Accounts and Audit Regulations 2015
- (b) Revenue budget 2020/21

<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Revenue%20Control%20Budget%202020-21.pdf>

(c) Investment Plan 2020-25

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=738&Ver=4> (Agenda reports pack - Appendix C)

(d) Reserves and Balances Policy

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=738&Ver=4> (Agenda reports pack - Appendix A)

(e) CIPFA Code of Practice 2020/21

Can be inspected at the Authority's offices.

(f) Outturn Report 2020/21

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=738&Ver=4>

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report itself and the Audit Results Report attached as Appendix A..

2.2 Legal

The Authority is required under the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy's Code to prepare and approve its audited accounts for the financial year 2020/21 by 30 September 2021.

2.3 Consultation/community engagement

In line with statutory requirements the draft Annual Financial Report for the year ended 31 March 2021 was published by 2 July 2021 and was available on the Authority's website.

Members of the public were able to inspect the accounts under the statutory public inspection of accounts period from 5 July to 13 August 2021.

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are no direct equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.