

# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT & GOVERNANCE COMMITTEE

29<sup>TH</sup> SEPTEMBER 2021

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Report Title	Approval of Daventry District Council Statement of Accounts 2020-21
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### List of Appendices

**Appendix A – Summary of adjustments to the Statement of Accounts 2020-21**

**Appendix B – Statement of Accounts 2020-21**

**Appendix C – Letter of Representation 2020-21**

### **1. Purpose of Report**

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- 1.1. Following the reorganisation of local government in Northamptonshire on 1 April 2021, West Northamptonshire Council (WNC) undertook to oversee the conclusion of the audit of prior year accounts for Northamptonshire County Council (NCC) and the other sovereign authorities, including Daventry District Council, that make up the new West Northants Council.
- 1.2. This report presents the final audited Statement of Accounts of Daventry District Council (DDC) and the draft Letter of Representation for 2020-21.
- 1.3. The Audit Results Report contained elsewhere on this agenda indicates that there are a number of audit lines of enquiry that need to be concluded to enable the audit to be finalised beyond the date of the Committee. Therefore, the Audit Committee will not be asked to approve the Statement of Accounts or the Letter of Representation at the Committee, but instead is asked to delegate authority to the Executive Director of Finance and Chair of the Committee as explained below.
- 1.4. The auditor will present the Audit Results Report elsewhere on this agenda and will provide a verbal update to the Committee on the expected timing of the conclusion of the remaining audit work. The Audit & Governance Committee is asked to consider the Statement of Accounts and

draft Letter of Representation for 2020-21 and delegate authority to the Executive Director of Finance (s151 Officer) and the Chair of the Audit & Governance Committee to finalise any further amendments to:

- The final Statement of Accounts 2020/21 to be signed by the Executive Director of Finance (s151 Officer) and the Chair of the Audit & Governance Committee.
- The Letter of Representation in respect of Daventry District Council 2020/21 to be signed by the Chair of the Audit & Governance Committee and the Executive Director of Finance (s151 Officer) on behalf of the Council.

Following signature of the final Statement of Accounts and Letter of Representation, the Auditor will issue the audit opinion and certificate.

## **2. Executive Summary**

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- 2.1. The report sets out the context for the preparation and audit of the 2020-21 accounts for DDC together with the responsibilities of the statutory s151 Officer and Audit & Governance Committee in relation to presentation and approval of the accounts.
- 2.2. An explanation of the core financial statements is provided to present the financial performance of the Council for the year ended 31 March 2021 together with a summary of the main adjustments to the accounts as a result of the audit.
- 2.3. The External Auditor is required to report separately to this Committee on the findings during the audit of accounts and provide an opinion on the arrangements for securing value for money in the use of resources.
- 2.4. Having considered the External Auditor's report, the Audit Committee is asked to delegate authority to the Executive Director of Finance and the Chair of the Committee to agree any final amendments and:
  - Approve the Statement of Accounts for 2020/21 as set out at Appendix B.
  - Approve the Letter of Representation set out at Appendix C.
- 2.5. It is a requirement that the letter is signed by persons with specific responsibility for the financial statements, which for this Council is the Executive Director of Finance (s151 Officer) and formally acknowledged as being correct by 'those charge with governance' by being signed by the Chair of the Audit & Governance Committee.

## **3. Recommendations**

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- 3.1. Subject to the auditor's position as set out in the Audit Results Report and verbal update elsewhere on this agenda it is recommended that the Audit & Governance Committee:

- a) delegates authority to the Executive Director of Finance and Chair of the Audit & Governance Committee to approve and sign the letter of representation on behalf of the Council at Appendix C as revised by the resolution of outstanding items set out in the Audit Results Report; **and**
- b) delegates authority to the Executive Director of Finance and the Chair of Audit & Governance Committee to approve and sign the final Statement of Accounts for Daventry District Council at Appendix B as revised by the resolution of outstanding items set out in the Audit Results Report.

#### **4. Reason for Recommendations**

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4.1 The recommendations are necessary to comply with legislation and policies of the Council.

#### **5. Report Background**

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- 5.1. The draft accounts were signed by the s151 Officer of West Northamptonshire Council (WNC) and published on 29<sup>th</sup> July 2021.
- 5.2. The 2020-21 Audit is now complete and the s151 Officer, being the responsible financial officer, confirms that he is satisfied that the statement of accounts presents a true and fair view of:
  - The financial position of the Council at the financial year ending 31 March 2020 and
  - The authority's income and expenditure for that financial year.
- 5.3. The accounts are presented on a basis that complies with International Financial Reporting Standards (IFRS) and Code of Practice on Local Authority Accounting (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 5.4. The objective of the Statement of Accounts is to provide information about the County Council's financial performance to a wide range of users for assessing stewardship of the Council's management.
- 5.5. The External Auditor has reported separately to this Committee on the results of the audit of accounts and provided an opinion on the accounts and the Council's arrangements for securing value for money in the use of resources. The Committee is required to consider the Statement of Accounts in the context of the auditor's findings.
  - Subject to approval of the recommendations in this report, the certified Statement of Accounts will be published by as soon as practicable. This may be later than the statutory reporting deadlines and reporting requirements of 30 September 2021 and is allowed for by regulation 10 paragraph (2a) of the Accounts and Audi Regulations 2015. A delay is possible due to the potential for further adjustments to arise from the ongoing audit.

## 6. Issues and Choices

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6.1. The final Statement of Accounts is set out at Appendix B and comprises:

- **The Narrative Report** – providing a summary of the most significant matters reported within the accounts and of the Council’s financial position, this section is intended to outline the overall context within which the Council operates and provide a commentary on its performance in 2020-21.
- **Statement of Responsibilities** – provides details of the formal responsibilities assigned to the Council and the Chief Finance Officer in respect of the Statements and the financial management of the Council.
- **The Core Financial Statements** – providing the Council’s financial position as at 31 March 2021 comprising of:
  - **Comprehensive Income and Expenditure Statement (CIES)** – Reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
  - **Movement in Reserves Statement (MIRS)** - Shows the movement in the year on the different reserves held by the Council. The reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
  - **Balance Sheet** - Presents the value of the Council’s current and non-current assets and liabilities as at 31 March 2021 with the bottom line effectively being the net worth of the organisation.
  - **Cash Flow Statement** - Summarising the inflows and outflows of cash arising from transactions with third parties, this analysis shows how the Council generates and uses cash and cash equivalents.
- **The Expenditure and Funding Analysis (EFA)** – this demonstrates to council tax payers how the funding available to the Council has been used to provide services, the EFA also shows how this expenditure is allocated between the Council’s directorates
- **Notes to the Core Financial Statements and the EFA** - these provide further supporting details on aspects of the accounts and which are largely defined by the Code.
- **Accounting Policies** – this section details the accounting policies followed by the Council throughout the year and applied in producing the Statement of Accounts.
- **Glossary** – the Statement inevitably includes a number of technical terms and this section provides an explanation of their meaning.

6.2. The draft Statement of Accounts 2020-21 was issued and published on the Council’s website on 29<sup>th</sup> July 2021. The final accounts including all audit adjustments to date are presented in Appendix B of this report.

### **Amendments to the Pre-audit Statement**

6.3. There have been a number of adjustments as a result of the audit. A summary of those adjustments is provided at Appendix A. This compares the final position on the Comprehensive Income and Expenditure Statement, Balance Sheet and Movement in Reserves Statement with the revised Statement of Accounts presented to the Auditor in July. The most significant changes to the accounts as agreed with the external auditors are summarised below:

- Removal of a duplicate entry for recognition of Disabled Facilities Grant Income.
- Removal of redundancy pay accrual that did not meet the criteria for accrual
- Update to the Group Accounts to reflect revised investment property valuations.

6.4. The impact of the adjustments upon the General Fund Outturn, and the General Fund Reserve is summarised in Table 1 below:

	<b>Original £,000</b>	<b>Revised £,000</b>
General Fund Outturn	17,850	17,407
General Fund Reserve	21,900	22,345

### **Balance Sheet**

6.5. The final balances sheet shows the Council had net assets of £116.4m as at 31 March 2021, compared to £111.6m at 31 March 2020. The balance sheet includes the following significant figures:

- Long term assets valued at £106.8m (£94.1m in 2019-20). This included £67.6m of Property, Plant and Equipment.
- Cash and Cash Equivalent balances of £5.4m compared to £11.2m in 2019-20.

### **Pension Fund Liability**

6.6. The Council's balance sheet includes the future liabilities to pay pensions to former and current employees, offset by the value of assets held by the Northamptonshire Pension Fund for the Local Government Pension Scheme (LGPS). These figures are assessed on an accounting basis under International Accounting Standard 19 rules and differ to the calculations used to set employer contribution rates.

## **7. Implications (including financial implications)**

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- 7.1. **Resources and Financial** - There are no resources or financial implications arising from the recommendations set out in this report.
- 7.2. **Legal** - There are no legal implications arising from the recommendations set out in this report. The actions proposed in the report will enable the Council to meet its statutory requirements in finalising the Daventry District Council Statement of Accounts for 2020/21.
- 7.3. **Risk** - There are no significant risks arising from the proposed recommendations in this report.
- 7.4. **Consultation** – There is no requirement to consult over the content of this report.
- 7.5. **Consideration by Overview and Scrutiny** – There is no requirement for this report to be considered by the Overview and Scrutiny Committee
- 7.6. **Climate Impact** – There are no significant climate impacts associated with this report.

7.7. **Community Impact** - The decisions set out in this report have no impact upon customers or the services that they receive.

## **8. Background Papers**

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8.1. There is none.