



Report to Audit and Governance Committee

Date: 1st February 2023

Reference number:

Title: 2020/21 Accounts Update

Relevant councillor(s): N/A

Author and/or contact officer: David Skinner (S151)

Ward(s) affected: Not applicable

Recommendations: Members are requested to note the following:

External Audit progress report for 2020/21 Accounts (Appendix A) along with management overview in paragraphs 1.2 to 1.13.

Reason for decision: Not applicable

Executive summary

1.1 This report provides the Committee with an opportunity to consider the External Audit progress report for 2020/21 attached at Appendix A and summarised below: -

- i. Council – Considerable progress is made, however there is still significant work required as detailed in paragraphs 1.2 to 1.7.
- ii. Pension Fund – The 2020/21 audit is nearing completion and the 2021/22 audit is in progress with the anticipated completion of both the years by end of February 2023.
- iii. Housing Benefit – the 2020/21 audit is ongoing and expected to complete the final testing in February 2023.

Council Audit 2020/21

1.2 Substantial amount of work has been carried out on some of the Audit planning risks such as Pension Liability, Valuation of Land, Building and Investment properties and Opening Balances. Some further work is required in these areas which will be followed by the audit review.

1.3 Considerable work has been done on the hot review points and most of them have been resolved.

1.4 The key issue is around absolute values compared with the net figures on the 6 balances: Short term receivables, Long term debtors, Short term creditors, Long term creditors, Fees and Charges and Operating Expenditure

1.5 This issue of very high absolute balances is as a consequence of:

- i. the transactions as a result of managing all of the covid grant income and payments;
- ii. the golden staple and consequent realignment of budgets and associated actual income and expenditure in year and numerous journal entries to correct coding as staff settled into using SAP;
- iii. Collection Fund accounting which involved four different legacy Revenues and Benefits systems;
- iv. Passporting grants such as Dedicated Schools Grant to individual maintained schools.
- v. The audit regime is tightening nationally, and guidance is coming out during the audit resulting in additional requirements; and
- vi. legacy processes for balance sheet management.

1.6 We have developed and agreed an approach with the auditors to deal with the issues around absolute values. This is a positive move, however it still carries some risks around meeting the auditing standard requirements. This requires significant amount of work on all the six areas identified by the auditors to get to a stage which is acceptable for audit purposes. It is expected that the whole process of data cleansing followed by audit will take around four to five months which means that the completion of audit will take approximately six months.

1.7 Work has started to cleanse the data which has resulted in Operating Expenditure reducing from £2.1billion to £1.1billion and Fees and Charges income reducing from £289m to £204m.

1.8 Other councils are also delayed in the account's approval process with overall only about 50% being cleared on time. For reference Dorset and BCP are still outstanding for the 20/21 financial year.

1.9 This absolute gross value issue is not confined to 20/21 accounts and unfortunately will be a feature but on a decreasing basis across 21/22 and 22/23. Therefore, we need to

develop a methodology that allows GT to test and have assurance. We are already in the process of developing a communication and training plan to ensure correct coding first time is embedded as new ways of working to minimise use of journals.

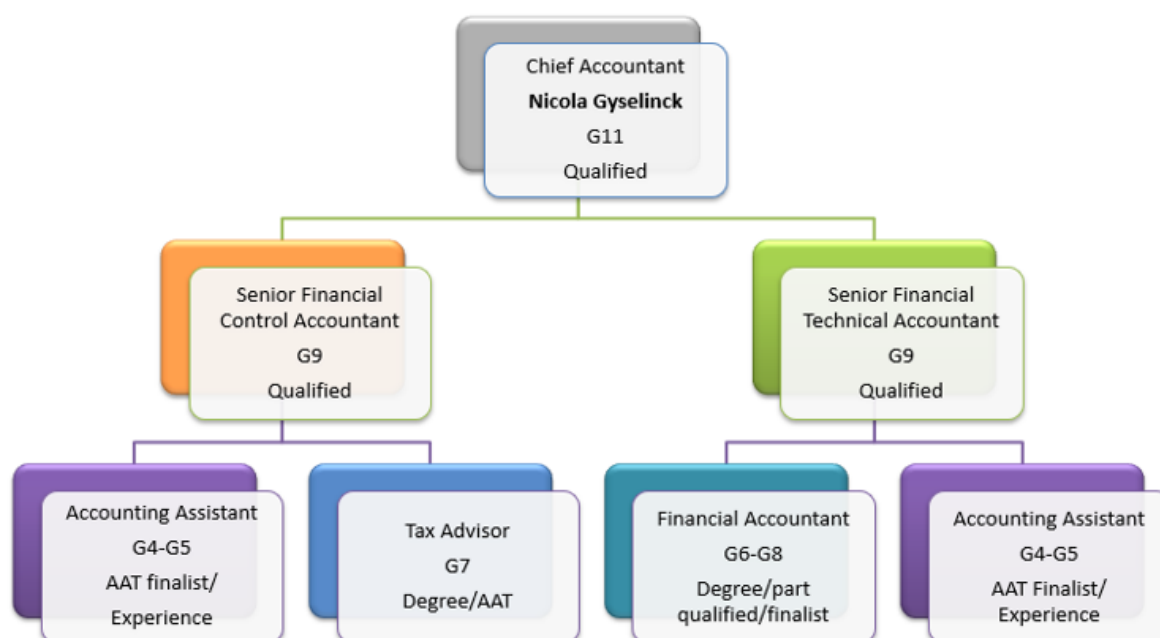
Resources

1.10 The newly appointed Chief Accountant started in November and has taken on responsibility of leading the audit process along with a dedicated team of 3 staff.

1.11 The Service Review for the closing team has addressed the challenges experienced in recent years as summarised below:

- i. Capacity: issues within closing team due to challenging recruitment environment.
- ii. Audit: additional testing and tighter audit regime resulting from new regulatory and auditing standards.

The new structure is built around developing a strong team, knowledge, experience, and resilience. The structure provides an opportunity to grow our own with a career pathway to attract and retain right candidates. The service review is complete and the recruitment process for vacancies has started. The capacity of the team will enhance once the recruitment is completed.



1.12 As highlighted in paragraphs 1.6 to 1.7, significant amount of work needs to be done to cleanse the data followed by audit testing. This will have significant resource implications both for the Council and the Grant Thornton.

1.13 We have explored various options to increase capacity, however this is challenging due to shortage of experienced accountants in the market and therefore we are going to

approach audit firms for additional capacity. This would potentially lead to additional cost for increasing the capacity and audit fees which will be managed through use of reserves.

Other options considered

1.14 Not applicable

Legal and financial implications

1.15 Not directly related to this report.

Corporate implications

1.16 Not applicable

Consultation and communication

1.17 Not applicable

Next steps and review

1.18 Not applicable

Background papers

1.19 Not applicable

