

Report of:	Director of Finance (S151 Officer)
Submitted to:	Corporate Affairs and Audit Committee
Date:	28 April 2023
Title:	Approval of Audited Statement of Accounts – 2020/21
Report for:	Decision
Status:	Public
Strategic priority:	All
Key decision:	Not applicable
Why:	Not applicable
Urgent:	Not applicable
Why:	

Executive summary

This report follows on from the ‘approval of the audited Statement of Accounts’ for the 2020/21 financial year considered by the Committee on 22 July 2022. At that point, Members approved the accounts following the draft Audit Results Report from Ernst & Young (EY). However, this was subject to further updates on the finalisation of the Annual Governance Statement for that year and on Highways Infrastructure Assets.

Both issues were delegated to the Director of Finance to resolve before the audit opinion on the accounts could be issued by EY and the audit process for 2020/21 be brought to a close. In addition, since then there has been several further matters to consider as part of the finalisation of the accounts.

These matters have subsequently been resolved and the audit opinion is due to be signed on 27 April. Members can now formally approve the audited accounts without prescription, and these can be published on the Council website.

Purpose

1. The purpose of the report is for Members of the Committee to approve the Audited Statement of Accounts for 2020/21, following completion of the external audit.
2. Members should also note the final audit results reports from EY on the Council and Teesside Pension Fund accounts, which summarise the various issues and adjustments required since the audit commenced in June 2021. Also included are letters of representation for both sets of accounts. These are assurances from the Chief Finance Officer and the Chair of the Committee around various matters that underpin the accounts and the processes adopted.

Background and relevant information

3. The draft Statement of Accounts for 2020/21 was presented to this Committee on 5th August 2021 which gave Members an understanding of the Council's financial position, performance and cash flows at 31st March 2021, and how it had performed against its revenue and capital budget plans. Significant issues included within the financial statements were also discussed for information at that stage.
4. Further updates have been given to the Committee on progress during the audit, principally on the 31 March, 9 June and 22nd July 2022 when EY's audit results report and an updated Statement of Accounts were presented. These reports explained the various delays experienced so far on the audit of the accounts and why the statutory date had not been met.
5. At the meeting on 22 July 2022, the Committee approved the audited statement of accounts subject to; the annual governance statement being finalised and agreed by the Mayor, the Chief Executive & the Director of Finance, and the Highways Infrastructure Assets issue, which had been raised during the audit being resolved.
6. Since that point the Annual Governance Statement has been revised and signed by appropriate officers. CIPFA & central government have issued a statutory over-ride in respect of highways infrastructure, up to 2024/25, for those local authorities who cannot at present comply with the local authority code of practice in this area.
7. As time has passed several other issues have been identified. The briefing note produced for the Committee on 8 February 2023 gave more details around the considerations for changes to the insurance provision, highways infrastructure and the going concern assessment re financial sustainability. These have either required changes to the financial statements, additional narrative disclosure, or both, to reflect the fact that the accounts are almost two years past the account's preparation date.
8. In recent weeks, a couple of further issues have needed to be considered and whether they have an impact on the accounts for 2020/21. These relate to the triennial revaluation of the Pension Fund at 31st March 2022, and the decision made by Executive in January to wind-up Middlesbrough Development Company. Any changes required for the items in both paragraphs 7 & 8 are included with the Audited Statement of Accounts and are noted in the external auditors final audit results reports.
9. Although the audit of the accounts is now complete for the 2020/21 financial year and these will provide a robust base for subsequent financial years accounts, the audit

certificate still cannot be issued by EY. This is because work is still on-going in relation to the value for money qualification on Governance. This position is noted within the audit opinion to the Council's accounts. A verbal update will be given to the Committee once the audit certificate has been received and the audit process for the year is fully complete.

What decision(s) are being recommended?

That the Corporate Affairs and Audit Committee:

- Approve the Audited Statement of Accounts for 2020/21, following completion of the external audit on the financial statements.
- Members should also note the final audit results reports on the accounts from the external auditor, and the letters of representation which give various assurances in relation to the accounts from council management.

Rationale for the recommended decision(s)

10. The approval of the audited statement of accounts and receiving reports from the external auditor are part of the terms of reference for the Committee and are a statutory requirement under the Accounts and Audit regulations.

Other potential decision(s) and why these have not been recommended

11. Not applicable due to the statutory nature of the decision being made.

Impact(s) of the recommended decision(s)

Legal

12. The external audit of the Statement of Accounts is a legal requirement under the Accounts & Audit Regulations 2015. Under the amended coronavirus regulations for 2021, the audit process should have been completed by 30 September 2021. However, under the Act there are provisions for continuation of the audit where it is not complete. The aim being to finalise the audit and publish the audited accounts as soon as possible afterwards.

Strategic priorities and risks

13. As the Statement of Accounts covers all financial transactions of the Council, it encompasses all strategic priorities and risks.

14. The main risks associated with the late completion of the external audit and publication of the accounts are:

- Reputational (i.e., how this is seen by other external bodies and the public in terms of the Council not being able to publish these on time); and
- The impact that this has on the capacity of the internal finance team to plan and deliver future sets of accounts.

Human Rights, Equality and Data Protection

15. There are no relevant considerations in these areas in respect of this report.

Financial

16. Although the Statement of Accounts is the main method of external financial reporting to the public and other stakeholders by the Council, there are no specific financial implications of the content of this report, except for the additional audit fees that will be associated with a prolonged audit period. All relevant issues are set out in Appendix 5 for your information.

Actions to be taken to implement the recommended decision

Action	Responsible Officer	Deadline
To publish the audited accounts for the Council for 2020/21 on the Council website.	Head of Finance and Investments	1 st week in May 2023

Appendices

1	<p>Appendix 1 – Final Audit Results report for Middlesbrough Council</p> <p>Appendix 2 – Final Audit Results report for the Teesside Pension Fund</p> <p>Appendix 3 – Letter of Representation for Middlesbrough Council</p> <p>Appendix 4 - Letter of Representation Teesside Pension Fund</p> <p>Appendix 5 – Audited Statement of Accounts for 2020/21</p>
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Background papers

Body	Report title	Date
Corporate Affairs & Audit Committee	Draft Statement of Accounts 2020/21	5 th August 2021
Corporate Affairs & Audit Committee	Statement of Accounts (Financial Element)	31 st March 2022
Corporate Affairs & Audit Committee	Infrastructure Assets & Statement of Accounts 2020/21	9 th June 2022
Corporate Affairs & Audit Committee	Audited Statement of Accounts 2020/21	22 nd July 2022
Corporate Affairs & Audit Committee	Highways infrastructure assets update	22 nd September 2022
Corporate Affairs & Audit Committee	Finalisation of the Statement of Accounts 2020/21	8 th February 2023

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