

Committee Name and Date of Committee Meeting

Audit Committee – 26 May 2020

Report Title

Closure of the Accounts 2019/20 – Update due to Covid-19

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide or Choose an item.

Choose an item.

Report Summary

The principal objective of the Council's annual financial statements is to make the Council accountable to a range of local and national stakeholders over the stewardship of its resources.

It is therefore important that the Council's financial statements are prepared in accordance with recognised accounting standards so that they can be relied upon by users of the accounts.

This report brings to Members attention the main changes required to the Council's timetable for the production of the financial statements, as a result of Covid-19. With the most notable change being that Members of the Audit Committee, as the body in the Council charged with governance, will now need to formally approve the audited Statement of Accounts at its November meeting.

Recommendations

1. Audit Committee is asked to note the revised timetable for the production of the Council's financial statements.

List of Appendices Included

Background Papers

CIPFA Code of Practice on Local Authority Accounting 2019/20
Accounts and Audit Regulations 2015

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Closure of the Accounts 2019/20

1. Background

- 1.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 1.2 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.
- 1.3 Following the outbreak of Covid-19 Councils across the UK have been working hard to manage the response to this significant challenge. To alleviate pressure on finance teams CIPFA/LASAAC have considered radical proposals to streamline the 2019/20 accounts in order to enable their production in this challenging period. However, the initial proposals to simplify 2019/20 Annual Accounts were not acceptable to regulators and auditors. In addition, HM Treasury's view was that arguably, some of the proposals do not meet the requirement of Whole of Government Accounts (WGA). As it was considered that the minor changes proposed to the code would generate additional work that would outweigh any benefits.
- 1.4 In order to create certainty, the CIPFA/LASAAC Board has resolved that in the absence of regulator and audit support, the status quo position will hold for full application of the 2019/20 Code. However, CIPFA encourages the application of local judgement on what disclosures should be made in order to alleviate organisational pressures on councils.
- 1.5 In addition, the UK Government Financial Reporting Advisory Board (the 'FRAB') is considering potential relaxations in the accounting and disclosure requirements for 2019/20 local authority annual reports. The National Audit Office (NAO) is also "talking to audit firms about how audits can be conducted in the circumstances".

2. Key Issues

Revised Timetable

2.1 Whilst the physical make-up of the financial statements and accounting code remains the same, the timetable for their production has been stretched. The timetable for the production of 2019/20 accounts has been extended for all local public authorities, apart from health service bodies. The key changes are noted below;

- the publication date for final, audited, accounts will move from 31 July to **30 November 2020** for all local authority bodies.
- In light of this draft accounts must be approved by **31 August 2020** at the latest or may be approved earlier, wherever possible.
- To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead local authorities must commence the public inspection period **on or before the first working day of September 2020**.
- It is also recommended that authorities provide public notice on their websites (where available) when the public inspection period would usually commence, explaining why they are departing from normal practice for 2020.

2.2 The Council has subsequently considered its position to establish a reasonable timeframe that, in the current circumstances, allows adequate time for the production of the draft accounts, whilst leaving suitable time for the necessary audit of those accounts. The Council's revised timetable is shown below, these dates have been discussed with the Council's external auditors Grant Thornton who have confirmed that they are happy to work with these dates and will be able to audit the Council's accounts within the dates specified.

Revised Statement of Accounts Timetable (key dates)

Action	Original Date	RMBC proposed
Unaudited accounts published	31 May 2020	31 July
Unaudited accounts presented to Audit Committee along with & Narrative Report & Annual Governance Statement	23 June 2020	18 August 2020
Public Inspection of Draft Accounts	1 June to 10 June 2020	1 August to 10 August 2020

External Audit of the Councils Accounts	June 2020	August 2020 (TBC)
Audited Accounts Published	31 July	30 November 2020
Audited accounts presented to Audit Committee along with & Narrative Report & Annual Governance Statement	31 July	24 November 2020

3. Options considered and recommended proposal

- 3.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the changes to the local authority accounting framework in 2019/20 and to note the actions being taken by officers to ensure that they are being implemented.

4. Consultation on proposal

- 4.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the financial statements being prepared.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The statutory deadline for publishing the unaudited financial statements is 31 August. The statutory deadline for publishing the audited financial statements is 30 November.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

- 6.1 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet Grant Thornton's expectations.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

- 7.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015.

8. Human Resources Advice and Implications

8.1 There are no Human Resource implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

10. Equalities and Human Rights Advice and Implications

10.1 There are no implications arising from this report to Equalities and Human Rights.

11. Implications for Partners

11.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners.

12. Risks and Mitigation

12.1 Robust project management arrangements have been put in place to ensure that the timetable is adhered to and quality standards met.

13. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

	Named Officer	Date
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Graham Saxton	18/05/20
Assistant Director of Legal Services (Monitoring Officer)	Named officer	Click here to enter a date.
Assistant Director of Human Resources (if appropriate)		Click here to enter a date.
Head of Human Resources (if appropriate)		Click here to enter a date.

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