

Crawley Borough Council

Report to Audit Committee 22 September 2020

Approval of the 2019/20 Statement of Accounts

Report of the Head of Corporate Finance (FIN/507)

1. Purpose

- 1.1 The purpose of this report is to seek member approval of 2019/20 Statement of Accounts and to comply with the statutory deadline of 30 November 2020.

2. Recommendations

- 2.1 It is recommended that
- a) the 2019/20 Statement of Accounts be approved
 - b) the Chair of the Committee be authorised to sign the 2019/20 Letter of Representation
 - c) the Chair of the Committee be authorised to sign the 2019/20 Statement of Accounts on behalf of the Council

3. Reasons for the Recommendations

- 3.1 The Council has a statutory responsibility to approve the statement of accounts by 30 November 2020.

4. Background

- 4.1 The Accounts and Audit Regulations 2015 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the statement of accounts to be approved by a resolution of a Committee and for the Chair to sign the accounts. The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 have moved the latest date for approval to 30 November 2020.
- 4.2 To enable the accounts to be signed by the due date and to encourage a robust review of the accounts, full Council has delegated the approval to this Committee.
- 4.3 This report deals with the Council's accounts as published in the required statutory format. The focus of the report is on recording all the assets and liabilities of the Council rather than a comparison with the original budget plans for the year. A summary of the outturn for 2019/2020 comparing actual expenditure against approved budgets was considered by Cabinet in June.

5. Narrative Report

- 5.1 The Narrative Report is attached as Appendix B. The Narrative Report, Statement of Accounts, and the Annual Governance Statement are shown as separate documents.
- 5.2 The Narrative Report includes a brief explanation of the financial statements (see Section 7 of the Narrative Report).

6. Statement of Accounts 2019/20

- 6.1 The 2019/2020 Statement of Accounts is attached as Appendix C.
- 6.2 As last year, the Comprehensive Income and Expenditure Statement is now prepared on the same basis as the Council is organised – so the services breakdown is on a Portfolio basis. The Expenditure and Funding Analysis links the Outturn report to the Comprehensive Income and Expenditure Statement.
- 6.3 The statement of accounts is a very technical document and is not easy to understand. The main points from the accounts are set out below:
- 6.4 The Movement in Reserves Statement shows a decrease in the General Fund balance (inclusive of Earmarked Reserves) of £3.1 million (page 9). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have decreased during the year from £92.8 million to £78.6 million. The main reason for this is the capital programme.
- 6.5 The Balance Sheet (pages 10 - 12) shows that the Council's total assets less liabilities have increased from £664.1m to £701.2m. The main reason for this is movement on the pension going from a liability of £16.2m to an asset of £24.8m. More details of the pension assets and liabilities can be found in Note 39. Formal actuarial valuations are carried out every three years, and these financial statements have been based on the latest 2019 valuation. There has therefore been a sizeable remeasurement as the accounting figures are "recalibrated".
- 6.6 An explanatory document "Understanding Local Authority Financial Statements" in Appendix E aims to give Members and other stakeholders an introduction to the format of the accounts.

7. Annual Governance Statement

- 7.1 The Accounts and Audit Regulations 2015 establish requirements relating to systems of internal control, and the review and reporting of those systems. Internal control and risk management are recognised as important elements of good corporate governance. The regulations state that:

"A relevant authority must ensure that it has a sound system of internal control which—

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
- (b) ensures that the financial and operational management of the authority is effective; and*

(c) includes effective arrangements for the management of risk.”

- 7.2 The Council is required to produce an Annual Governance Statement in line with guidance contained in the CIPFA/SOLACE document “Delivering Good Governance in Local Government”. Details of the 2019/2020 review are set out in Appendix D. The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

8. Audit of Accounts for 2019/2020

- 8.1 The audit of the accounts commenced in June, and after a break over the summer, recommenced in September. As stated in Ernst & Young’s Audit Results Report (elsewhere on the agenda) no substantial issues have emerged as a result of the audit.

9. Letter of Representation

- 9.1 The Letter of Representation (Appendix A) are the assurances made by management and members to the auditors that all information pertinent to the audit has been made available to them.

10. Background Papers

[Financial Outturn 2019/20 – Report to Cabinet 24/06/2020 \(FIN/500\)](#)

The Accounts and Audit Regulations 2015

Code of Practice on Local Authority Accounting in the UK 2019/2020 (Chartered Institute of Public Finance and Accountancy)

Guidance Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)

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