

Report sponsor: Simon Riley, Strategic Director
of Corporate Resources
Report author: Peter Shillcock, Group
Accountant

2020/21 Statement of Accounts – external audit update

Purpose

- 1.1 To provide the Audit and Governance Committee with an update on the progress of the external audit of the Financial Statements of the Council in respect of the year ended 31 March 2021.

Recommendation

- 2.1 To note the content of the report

Reason

- 3.1 To provide the Audit and Governance committee a progress update on the external audit of the Financial Statements ending 31 March 2021

Supporting information

- 4.1 The Council's audited Financial Statements for the year ending 31 March 2021 were due to be presented to the Audit and Governance Committee for approval on 29 September 2021. However, a recent meeting with our external auditors – Ernst and Young (EY) has resulted in some delays which have impacted their ability to sign off the accounts by this time.
- 4.2 The delay is due to additional national regulatory requirements around pensions and Group Accounts, together with delays in EY receiving information from the auditors of the Derbyshire Pension Fund (Mazars).
- 4.3 The actual audit of the Council's Financial Statements is substantially complete and is going through EY's internal review processes. At present there are no changes to the core financial statements required. Currently there are minor amendments required to some of the disclosure notes which will be set out at Appendix 1 for members information. None of these, require any further accounting entries to be made.
- 4.4 The revised date for submitting both the Financial Statements and EY's ISA260 for approval by the committee is 3 November 2021.

- 4.5 The Government has recently announced that the suite of reports to enable the Whole of Government Accounts (WGA) to be completed will not be released until December. This means that any submission of the Financial Statements and ISA260 to the committee for approval in November, will be signed off 'subject to' completion of the WGA.
- 4.6 Despite the above delays the actual audit has gone well and thus far has resulted in no material changes to the Financial Statements. The Accountancy team have been able to deliver a set of high-quality Financial Statements around 2 months ahead of the statutory deadline for publishing our draft accounts. It should be noted that this has been achieved against the backdrop of unavoidable changes in audit personnel and continued remote working.

Public/stakeholder engagement

- 5.1 None directly arising

Other options

- 6.1 None as the Audit and Governance Committee need to be kept apprised of the progress of the audit.

Financial and value for money issues

- 7.1 As detailed in the report

Legal implications

- 8.1 None directly arising

Climate implications

- 9.1 None directly arising

Other significant implications

- 10.1 None directly arising

This report has been approved by the following people:

| Role | Name | Date of sign-off |
|----------------------------|---------------|-------------------------|
| Legal | Olu Idowu | 17/09/21 |
| Finance | Toni Nash | 15/09/21 |
| Service Director(s) | Alison Parkin | 17/09/21 |
| Report sponsor | Simon Riley | 17/09/21 |
| Other(s) | | |

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|----------------------------|-------------------------------|
| Background papers: | |
| List of appendices: | Appendix 1 – audit amendments |

Audit amendments

Note 39: Contingent Liability – Sinfin Waste Plant:

Initially, neither we nor Derbyshire County Council had recognised the Waste Plant as a potential Contingent Liability. The reasoning being there was sufficient uncertainty over the level of any liability and the timing of such a liability. However, further discussions between the County and our respective auditors have led to an agreed position that this should in fact be disclosed as a Contingent Liability and a narrative disclosure has been made in note 39 in the accounts – no accounting entry is required.

Note 20: Leases - Page 84 - operating leases:

The rental from one company was incorrectly reflected in the disclosure note. There was an agreement to reclaim deferred rental payments alongside the annual rental for the first three years and then to step down to the rental value for the remainder of the term. The draft statements incorrectly included the higher rental for the entire lease term, this has changed the figures previously published in the draft account's disclosure note £27.730m to £27.042m.

Note 35c: Exit Costs:

Information provided from HR system only included redundancies paid, however, under the CIPFA code it should also include those that have been committed to. The note has been updated to reflect this and has changed from £0.388m to £0.494m. We have discussed this requirement with H.R. and they are working on a mechanism to capture this data to enable a complete listing to be provided going forwards.

Group Accounts:

Group Accounts have been updated following the completion of Derby Homes audit. Derby Homes final audit highlighted some changes needed relating to the way they had accounted for a pension prepayment. This in turn has resulted in the following changes to the Group Accounts:

Group Balance Sheet -£2.350m – net Group assets now £372.309m
Group Income and Expenditure +£2.350m net Group expenditure now £161.480m
Group Movement in Reserves -£2.350m net Group reserves balances now £372.309m

Note 33: Related Parties:

The transaction report used for the members and officer's declaration was found to be omitting transactions; this has been reviewed by the Business Systems team and an alternative accounts payable report has been identified that provides complete records. This has resulted in the figures disclosed in this note being updated from £9.414m of services commissioned and grants provided to companies in which members had an interest in, to £12.894m in the final statement of accounts disclosure note.