

## **Covering Note – Draft Statement of Accounts 2020/21.**

The covering report for the Audit Governance & Standards Committee circulated with the agenda last week set out that:

The Council has not been able to deliver to this 2020/21 Closure of Accounts Timetable which has resulted in a Section Statutory Recommendation being issued to the Council on the 31<sup>st</sup> October 2022. This report kicks off the Audit process for 2020/21 by approving the draft accounts for Audit.

As per the Section 24 Statutory Recommendation, the Council has only now been able to deliver a draft version of the 2020/21 Statement of Accounts. Significant issues that have held up the compilation of the Statement of Accounts have been: the implementation of a new financial system on the 8<sup>th</sup> February 2021; the loss of all but 4 of the original finance team in place who delivered the 2019/20 Accounts; and the C-19 pandemic which significantly affected service delivery during this period.

The most significant technical issue has been implementation of the new financial system, and in particular the Council to date being the only Council to implement the Cash Receipting solution. Issues with this module were only finally rectified in the “live” system on the 5<sup>th</sup> and 6<sup>th</sup> November 2022. The issue has resulted in significant volumes of transactional items ending up in suspense instead of being coded to the correct nominal codes. The items in suspense, some with limited means of identifying their correct place of allocation, need to be cleared in full alongside further detailed reconciliations and a key part of the audit will be the agreement of the treatment of these balances with the External Auditors.

Whilst under regulations the Council’s Audit Governance & Standards Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for Members to review and comment on the accounts prior to the Audit beginning.

For the Accounts to be presented to this Committee, the S151 Officer must be satisfied that the accounts comply with legislation. As highlighted above, further detailed work is required to reallocate balances in the Councils suspense accounts and the method of this reallocation is a risk that will need signoff by the external auditors as part of the overall Audit process. The Finance team will continue to review the accounts after Committee up to the point that they are passed across to the External Auditors in January. An update will be provided to Committee reflecting further changes to the accounts.

**This discussion with External Auditors could lead to restatements of various balances within these draft accounts.**

Our External Auditors will also see the movement from our existing financial system to Tech1 on the 8<sup>th</sup> February 2021 as a risk and will be reviewing all the Council’s data take balance reports to assure themselves that a complete transfer of data did take place at that time.