



Joint Governance Committee
27th September 2022

ADUR & WORTHING COUNCILS

Ward(s) Affected: All

Statement of Accounts 2020/21 for Adur District Council and Worthing Borough Council - Completion of audit

Report by the Director for Digital, Sustainability and Resources

Executive Summary

1. Purpose

1.1 The audits of Adur District Council's and Worthing Borough Council's 2020/21 Statements of Accounts are now complete. The External Auditor's Annual Audit Report, elsewhere on the agenda, contains the External Auditor's findings arising from their audit. The 2020/21 financial statements have been adjusted in respect of the External Auditor's work. This report briefs members on the impacts to the statement of accounts arising from the conclusion of the audit.

2. Recommendations

2.1 The Joint Governance Committee is recommended to:

- i) notes the final changes made to the accounts as detailed in section 3.6 of the report.
- ii) note that the Chairmen of the Committee exercised their delegation to approve the final version of the accounts including any changes agreed with auditors to conclude the audit.

3. Context

- 3.1 The Accounts and Audit Regulation 2015, section 8 sets out the requirements of signing, approval and publication of the statement of accounts for 2020/21.
- 3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which required that the 2020/21 draft accounts be certified by the 31st July 2021.
- 3.3 In accordance with section 9, the CFO has also re-certified on behalf of that authority that they are satisfied that the statement of accounts following the audit presents a true and fair view of the financial position of the Councils at the end of the financial year; and the Councils' income and expenditure for that year.
- 3.4 Following the approval of the statement of accounts in July 2021, the two sets of accounts have been audited. The audit has revealed some disclosure, presentational and other errors, which required correction to ensure that the accounts presented are of a high standard. The changes identified up to 13th January 2022 have already been approved by members. This report updates members on the final financial changes made following the conclusion of the audit work.
- 3.5 As reported to this committee on 25th January 2022, there is an unadjusted judgemental misstatement in both Adur District Council and Worthing Borough Council relating to the net pension valuations. Subsequent to the external audit planning reports, an issue was identified across all local government audits associated with the impact of the revised auditing standard on accounting estimates, requiring auditors to test the method of measurement. The annual pension results reports are prepared by the councils' actuary Hymans Robertson LLP. The auditor was not able to access the detailed models used by the actuary and decided on an alternative procedure of creating an auditors estimate to gain assurance. The results of this exercise showed the actuarial estimate to be accurate within a reasonable range. The misstatement identified relates to a difference in technical methodology applied by the council actuary and the auditor's consulting actuary PWC, the variance is below the performance materiality threshold for both councils and the accounts have not been adjusted on this basis. As set out in the Audit Results Report at section 2 the auditors are satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed.
- 3.6 At the January 2022 JGC committee it was reported that there was some outstanding audit work relating to property valuations. This has now been completed and resulting amendments to the accounts, as agreed with the auditor have been made. Final changes to the accounts are set out in the tables below;

Adur District Council

	Consolidated Income and Expenditure Statement	Movement in Reserves Statement	Balance Sheet - Net Assets	Balance Sheet - Reserves
Adjustments identified by officers				
Cecil Norris De-recognition	£0.273m	(£0.273m)	(£0.273m)	£0.273m
Albion Street De-recognition	£0.398m	(£0.398m)	(£0.398m)	£0.398m
Adjustments resulting from audit of asset valuations				
Property, Plant and Equipment	(£3.105m)	£3.105m	£3.105m	(£3.105m)
Investment Properties	£2.121m	(£2.121m)	(£2.1201m)	£2.121m
Total	(£0.313m)	£0.313m	(£0.313m)	£0.313m

In addition there was a difference in the valuation of properties of £211,000, resulting in the overstatement of Investment Properties at year end. This difference was not corrected by management as it is immaterial and results from differences in opinion between qualified valuers that are judgemental in nature.

Worthing Borough Council

	CIES	Movement in Reserves Statement	Balance Sheet - Net Assets	Balance Sheet - Reserves
Adjustments identified by officers				
Accrual Adjustment	£0.054m	(£0.054m)	(£0.054m)	£0.054m
Adjustments resulting from audit of asset valuations				
Property, Plant and Equipment	£1.956m	(£1.956m)	(£1.956m)	£1.956m
Investment Properties	£1.114m	(£1.114m)	(£1.114m)	£1.114m
Total	£3.124m	(£3.124m)	(£3.124m)	£3.124m

There was also a difference in the valuation of properties of £184,000, resulting in the overstatement of 2 investment properties at year end. These differences were not corrected by management as they are immaterial and result from differences in opinion between qualified valuers that are judgemental in nature.

- 3.7 The Chairmen of the Committee have been briefed and have under their delegation approved the accounts on the Committee's behalf. All the Auditors findings identified to date are contained in the Auditor's Annual Report 2020/21, elsewhere on this agenda. The final accounts and the auditors reports can be found on the Council's websites: <https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/>

4. Agreed Amendments to the 2020/21 Statement of Accounts

- 4.1 As the External Auditor's Annual Results Report (elsewhere on this agenda) explains, there are no qualification issues arising from the audit of the two sets of 2020/21 Statement of Accounts to report.
- 4.2 During the final period of the audit and since the last report to this committee in January 2022 it was identified by the Finance Team that a debtor accrual within the Worthing accounts was input incorrectly, with part of the adjustment being omitted. This amendment has now been made and the impact on the 2020/21 outturn positions reported in July 2021 are as follows:

	Adur £	Worthing £
Outturn underspend as reported to JSC in July 2021	640,813	1,137,579
Amendment to 2020/21 outturn as reported to JGC in January 2022	-41,530	-54,557
Revised outturn underspend as reported to JGC in January 2022	599,283	1,083,022
Amendment to 2020/21 outturn since last reported to JGC January 2022	0	-54,557
Final Revised Outturn underspend 2020/21	599,283	1,028,465
Amended appropriations to reserves:		
Total reduction to the transfer to General Fund working balance reported to JSC Committee July 2021	41,530	109,114

5. Financial Implications

5.1 The two sets of Statements of Accounts reflect the 2020/21 outturn position and the transfers to and from reserves and carry forward of balances as reported in the 'Financial Performance 2020/21 - Revenue Outturn and Capital and Projects Outturn for Joint, Adur and Worthing' report which was approved by the Joint Strategic Committee at its meeting of 13th July, 2021. The accounts have been adjusted for by the agreed amendments as noted in section 4 of this report.

5.2 Reconciliation of 2020/21 Revenue Outturn to 2020/21 Comprehensive Income and Expenditure Accounts

The difference between the Adur and the Worthing 2020/21 Revenue Outturn and the Comprehensive Income and Expenditure Account is made up of the following entries:

Adur District Council		2020/21
	£'000	£'000
Final Outturn 2020/21		
General Fund		9,142
HRA		664
Final 2020/21 Outturn Net Spend		9,806
Income from council tax and NDR	(4,304)	
Government grants and contributions not included in the outturn report:	(9,346)	
Net income from taxation	(13,650)	(13,650)
Payments to DLUCH for housing capital receipts pool	319	
Gain/loss on disposal and de-recognition of assets	1,702	
Parish Council precepts	415	
Other Operating Expenditure not included in Outturn	2,436	2,436
Net 2020/21 spend carried forward		(1,408)

Adur District Council		2020/21
	£'000	£'000
Net 2020/21 spend brought forward		(1,408)
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(2,222)
Net impact of accounting for pensions under IAS19		209
Revenue funded from capital under statute		10,112
Net depreciation, impairment and revaluations		7,439
Transfer to the Major Repairs Allowance		(4,079)
Capital grants credited to services		(9,796)
Other adjustments		(153)
2020/21 Comprehensive Income and Expenditure - Deficit on provision of services as per the statement of accounts		102

Worthing Borough Council		2020/21
	£'000	£'000
Final 2020/21 Outturn Net Spend		16,401
Income from council tax and NDR	(3,776)	
Grants not included in the Outturn report:	(13,551)	
Revenue Government grants and contributions	(6,380)	
Capital grants and contributions		
Net income from taxation	(23,707)	(23,707)
Gain/loss on disposal and derecognition of assets	(50)	
Other Operating Expenditure not included in Outturn	(50)	(50)
Adjustments to remove statutory items and replace with entries to represent accounts on an IFRS basis:		
Minimum Revenue Provision		(2,210)
Net impact of accounting for pensions under IAS19		(300)
Revenue funded from capital under statute		2,481
Net depreciation, impairment and revaluations		8,401
Capital grants credited to services		(2,174)
Cash sale proceeds credited to CIES as part of the gain/loss on disposal of assets.		(120)
Other minor adjustments		(232)
2020/21 Comprehensive Income and Expenditure - Deficit on provision of services as per the statement of accounts.		(1,510)

5.3 Movement in the Other Comprehensive Income and Expenditure values within the Comprehensive Income and Expenditure Statement.

The Other Comprehensive Income and Expenditure section of the core Comprehensive Income and Expenditure Statement has significant movement year on year due to the category of costs that it includes and their sensitivity to market conditions:

Adur District Council	2020/21	2019/20	Movement
	£'000	£'000	£'000
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	(20,373)	(8,470)	(11,903)
(Surplus)/Deficit from investments in equity instruments designated at fair value	0	25	(25)
Re-measurements of the Net Defined Pension Benefit Liability	147	(21,288)	21,435
Other Comprehensive Income and Expenditure	(20,226)	(29,733)	9,507

Worthing Borough Council	2020/21	2019/20	Movement
	£'000	£'000	£'000
(Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment Assets	322	(2,103)	2,425
(Surplus)/Deficit from investments in equity instruments designated at fair value	0	25	(25)
Re-measurements of the Net Defined Pension Benefit Liability	(1,960)	(27,207)	29,167
Other Comprehensive Income and Expenditure	2,282	(29,285)	31,567

Surplus or deficit arising on revaluation of property, plant and equipment – this reflects the upward or downward revaluation of the councils assets, net of any gains or losses that have been recognised within the Provision of Services. These values may vary considerably year to year depending on the valuations carried out by the independent valuer.

Re-measurements of the net defined pension benefit liability – this reflects the return on the pension scheme plan assets (excluding amounts included in net interest within Financing and Investment Income and Expenditure) and actuarial gains and losses. The actuarial gains and losses are the changes in the net pensions liability that arise because events have not coincided with assumptions made at the last valuation or because the actuaries have updated their assumptions. These returns and assumptions change annually and will reflect market activity and changes in future projections for inflation, mortality and scheme performance.

5.3 **Audit Fees:**

5.3.1 The Councils have the following budgets for general audit fees:

- Adur - £38,190
- Worthing - £37,430

5.3.2 The fees proposed within the auditor's Annual Audit Report are substantially higher than the scale fee set by the Public Sector Audit Appointments (PSAA) at:

- Adur - £126,226
- Worthing - £112,641

5.3.3 Whilst some increase is justified due to the additional work required on items such as asset valuations, the overall scale of the proposed fee including the element for rebasing will be referred to the PSAA for review. In previous years, this has reduced the proposed fee substantially, however the final fee is likely to be higher than the current budget.

6. **Legal Implications**

6.1 The two sets of Statements of Accounts have been prepared in accordance with statutory instrument number 234 (2015), the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, based on International Financial Reporting Standards (IFRS).

6.2 The formal approval of the accounts enables the Councils to comply with the Account and Audit Regulations 2015.

7. **Publicity**

7.1 Part 5 of the 2015 Regulations deals with the "Inspection and notice procedure". As required Adur District Council and Worthing Borough

Council gave notice by advertisement and on the respective websites of the matters set out in paragraph (2), regulation 15 of the 2015 regulations.

8. Conclusion

- 8.1 The Accounts and Audit Regulations 2015 place requirements on authorities in completing, approving and publishing their annual Statement of Accounts. Adur District Council and Worthing Borough Council have complied with these requirements.
- 8.2 Members are advised of the final changes made to the accounts as detailed in section and that the Chairmen of the Committee exercised their delegation to approve the final version of the accounts including any changes agreed with auditors to conclude the audit.

Local Government Act 1972

Background Papers

Accounts and Audit (England) Regulations 2015

http://www.legislation.gov.uk/ukxi/2015/234/pdfs/uksi_20150234_en.pdf

CIPFA Code of Practice on Local Authority Accounting in United Kingdom 2020/21 – Based on International Financial Reporting Standards

CIPFA Guidance Notes for Practitioners 2020/21 Accounts

2020/21 External Auditor's Report to those Charged with Governance (ISA 260)

13th July 2021 Joint Strategic Committee – Financial Performance 2020/21 Revenue Outturn and Capital Projects Outturn

<https://democracy.adur-worthing.gov.uk/documents/g1583/Public%20reports%20pack%2013th-Jul-2021%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

27th May 2021 Joint Governance Committee – “The Annual Governance Statements 2020/21” – review and approval

<https://democracy.adur-worthing.gov.uk/documents/g1575/Public%20reports%20pack%2027th-May-2021%2018.30%20Joint%20Governance%20Committee.pdf?T=10>

25th January 2022 - Joint Governance Committee - Statement of Accounts 2020/21
for Adur District Council and Worthing Borough Council

<https://democracy.adur-worthing.gov.uk/documents/g1618/Public%20reports%20pack%2025th-Jan-2022%2018.30%20Joint%20Governance%20Committee.pdf?T=10>

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Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The External Auditor's Audit Results Report - ISA (UK and Ireland) 260 is a publicly available document and as such, the findings in the report have an impact on the Councils reputations with regard to financial Governance.