



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee 13 November 2024

Wards affected: All Wards

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### STATEMENT OF ACCOUNTS 2020/21, 2021/22 and 2022/23

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Report of Section 151 Officer

#### **1. Purpose of report**

- 1.1 To present to the Audit Committee the Financial Statements and Annual Governance Statements for 2020/21, 2021/22 and 2022/23 for approval.

#### **2. Recommendation**

- 2.1 The Statement of Accounts and Annual Governance Statements for 2020/21, 2021/22 and 2022/23 are approved.
- 2.2 Delegate authority to the Chair of the Audit Committee to formally approve i.e. “sign off” the Accounts or approve any other changes required once External Audit work is concluded.

#### **3. Background to the report**

- 3.1 Due to an Audit backlog central government announced an approach to get the backlog approved by the 13<sup>th</sup> of December. On 9 September 2024, the Government laid in Parliament a Statutory Instrument, ‘The Accounts and Audit (Amendment) Regulations 2024’, to introduce backstop dates by which point local bodies must publish audited accounts. To achieve this the backlog must be dealt with and processes put in place.
- 3.2 Draft proposals were brought to this committee on 18<sup>th</sup> September 2024. All parties are now working to this date to get all pre 2023/24 statements signed off with a “disclaimed audit option”.

- 3.2 The Disclaimed option essentially means Ernst & Young (EY) could not complete their audit work to a standard to which they can give a full opinion. However, for all years EY have completed Value For Money and issue an audit report of findings. This will be presented to Audit Committee once issued.
- 3.2 The Committee has already seen the unaudited accounts for all years on the dates given below: -
- Year 2020/21 - 25/08/2021  
Year 2021/22 - 29/05/2024  
Year 2022/23 – 29/05/2024
- 3.3 In accordance with the revised approach the committee is therefore asked to review and approved the Accounts set as appendices to this report.
- 3.4 One amendment has been made to the balance sheet relating to netting off of Short Term Council Tax and Business Rates debtors and creditors. This amendment does not change the overall financial position on reserves or the Council's net assets. Further details of the changes and resulting changes to disclosure notes are attached in Appendix 1. These changes have been reflected in the statements being presented to this committee for approval.

## *Balance Sheet*

	<b>Unaudited As at 31 March 2023 £'000</b>	<b>Restated As at 31 March 2023 £'000</b>
<b>Long Term Assets</b>	320,834	320,834
Short Term Investments	14,000	14,000
Assets Held for Sale	0	0
Inventories	46	46
Short Term Receivables	5,107	5,952
Cash and Cash Equivalents	3,401	3,401
<b>Current Assets</b>	<b>22,554</b>	<b>23,399</b>
Cash and Cash Equivalents	(11)	(11)
Short Term Borrowing	(6,836)	(6,836)
Short Term Payables	(16,317)	(17,162)
Short Term Lease Liability	(536)	(536)
Provisions	(610)	(610)
<b>Current Liabilities</b>	<b>(24,310)</b>	<b>(25,155)</b>
<b>Long Term Liabilities</b>	<b>(77,187)</b>	<b>(77,187)</b>
<b>Net Assets</b>	<b>241,891</b>	<b>241,891</b>

Usable Reserves	29,598	29,598
Unusable Reserves	212,293	212,293
<b>Total Reserves</b>	<b>241,891</b>	<b>241,891</b>

3.3 The main elements of the Financial Statements are noted below with a brief narrative explanation of their purpose

Section of Accounts	What it covers
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	The CIES covers the sources of all income received and the cost of providing services in the year based on applicable accounting standards and CIPFA requirements.
<b>Movement in Reserves Statement (MiRS)</b>	The MiRS shows the movement in the year on the various reserves held by the Council.
<b>Expenditure &amp; Funding Analysis</b>	This is a reconciliation between management's internal reporting and the CIES, which is based on the requirements of accounting standards as interpreted for the public sector.
<b>Balance Sheet</b>	The Balance sheet gives the value of the Council's assets and liabilities at the financial year-end.
<b>Cash Flow Statement</b>	The cash flow statement discloses movements in cash flows of the authority during the financial year.
<b>Notes to the financial statements</b>	These include a summary of significant accounting policies that guide our basis for the way items are accounted for in the financial statements.
<b>Supplementary Statements: Housing Revenue Accounts, and Collection Fund</b>	These are the Housing Revenue Account (HRA) and Collection Fund. The HRA covers the income from housing activities and Council's expenditure on Council housing. The Collection Fund gives level of business rates and council tax that the Council has to collect, not only for itself, but also for precepting authorities in Leicestershire.
<b>Annual Governance Statement</b>	The Council has approved and adopted a code of corporate governance. The Annual Governance Statement provides a summary of how the Council has reviewed compliance with this code.

### Annual Governance Statement changes

Due to the national; Back log in audit opinions, there has not been the normal coverage of the financial statements by our External auditors. This has led to the following being included in our Annual Governance statements.

## **National Audit Backlog**

*There has been a national backlog in the delivery and sign off of local government Audited financial statements. This has been caused by many challenges facing the local audit system, which have been highlighted by External Audit firms, the Redmond Review, the NAO, the Local Government Association and in Parliament Committee hearings. The critical factors leading to these delays can be attributed to*

- shortages in specialist audit resources and finance teams across local authorities, increasing regulatory requirements,*
- specific governance or technical matters at audited bodies,*
- emerging national accounting issues for Infrastructure Assets and more recently Pension Liability valuation matters*

*All of these being further compounded by the impact of Covid.*

*On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', to introduce backstop dates by which point local bodies must publish audited accounts. To achieve this the backlog must be dealt with and processes put in place to avoid it reoccurring.*

*The Government's approach to clear the backlog of local audits and embed timely audit consists of two parts:*

- Reset measures involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 13 December 2024.*
- Recovery period after the Reset Measures that reduces the likelihood of the backlog re-emerging by using backstop dates to allow assurance to be rebuilt over one or more audit cycles.*

*The Council's Statement of accounts for 2020/21, 2021/22 and 2022/23 are still to receive its Audit Opinion and Value for Money (VFM) Conclusion. The Leader, Chief Executive and Audit Committee have not therefore received the full assurance they could expect from the external audit process. The Government has agreed a recovery plan which will address this national issue but will lead to disclaimer opinions being issued on the years 2020/21, 2021/22 and 2022/23.*

*Our external auditors for 2020/21, 2021/22 and 2022/23 (Ernst & Young) will issue their External Audit Report and VFM for 2020/21, 2021/22 and 2022/23 in due course and this will be considered by the Audit Committee when provided. The document will summarise their key findings in relation to their external audit of the Council for 2020/21, 2021/22 and 2022/23 and will contain a disclaimed opinion on the Council's financial statements, the control environment in place to support the production of timely and accurate financial statements and the Council's significant risk areas. This disclaimer is based on backlog meaning the Auditor is unable to obtain sufficient evidence to conclude an opinion on the financial statements.*

*The external audit for 2023/24 being complete by Azets has commenced but will be delayed for the reasons set out above, particularly pressures on the external audit market. Their report will be considered by the Audit Committee as soon as possible. Audit Opinion and Value for Money (VFM) Conclusion will not be available to inform the Annual Governance Statements in relation to the years 2020/21, 2021/22 and 2022/23.*

*All other factor of governance control has operated as normal during these period*

**4. Exemptions in accordance with the Access to Information procedure rules**

4.1 This report can be taken in open session.

**5. Financial implications [IB]**

5.1 Contained within the body of the report.

**6. Legal implications [ST]**

6.1 None

**7. Corporate Plan implications**

7.1 Adoption of the proposal in this paper will contribute to the achievement of the following Corporate Aim of Empowering communities.

**8. Consultation**

8.1 None

**9. Risk implications**

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

**10. Knowing your community – equality and rural implications**

10.1 The Financial Statements and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

**11. Climate implications**

11.1 The Financial statements can be used as a mechanism for the reporting of the council impact on climate change via sustainability reporting. The public sector as a whole currently lags well behind the private sector in such reporting. Action would be needed to introduce this non-financial element to the financial statements to report to members and local residents how the council was performing against its declared climate emergency targets.

## **12. Corporate implications**

12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications
- Planning implications
- Data protection implications
- Voluntary sector

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Background papers: Statement of Accounts

Contact officer: Ilyas Bham, Accountancy Manager ext. 5924

Executive member: Councillor K. Lynch