

## **Audit Committee**

**30 September 2021**

**Statement of Accounts for the year  
ended 31 March 2021**

**Ordinary Decision**



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## **Report of Paul Darby, Corporate Director of Resources (Interim)**

### **Electoral division(s) affected:**

Countywide

### **Purpose of the Report**

- 1 To seek approval of the council's statement of accounts for the financial year ended 31 March 2021.

### **Executive Summary**

- 2 In accordance with statutory deadlines, the draft (unaudited) statement of accounts for Durham County Council for the financial year ended 31 March 2021 was authorised by the responsible financial officer and published on the council's website on 18 June 2021.
- 3 The unaudited accounts were presented to Members of the Audit Committee on 30 June 2021.
- 4 On or before 30 September, approval needs to be given to the statement of accounts by resolution of the council's Audit Committee. This approval will take account of the views of the external auditor. Once approved, the statement of accounts must be formally published on the council's website.
- 5 The accounts have been subject to review by the external auditor (Mazars LLP). A number of amendments have been identified and have been included in the statement of accounts presented today.
- 6 The auditor intends to issue an unqualified opinion on the financial statements of the council and the pension fund and anticipates concluding that there are no significant weaknesses in relation to

the arrangements the council has in place to secure economy, efficiency and effectiveness in its use of resources. He is expected to formally conclude the audit and issue an audit certificate, upon completion of the audit work in relation to the Whole of Government Accounts consolidation pack and the work necessary to satisfy himself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Recommendation**

- 7 It is recommended that Members of the Audit Committee approve the statement of accounts for the council, including the pension fund financial statements, for the financial year ended 31 March 2021.

## **Background**

- 8 The Accounts and Audit (Amendment) Regulations 2021, which stipulate a two stage approval process for the statement of accounts, have extended the statutory audit deadlines for 2020/21 and 2021/22 for local authorities. The first statutory deadline requires that the responsible financial officer, by no later than 31 July, should sign and certify that the statement of accounts presents a true and fair view of:
  - (a) the financial position of the council for the year to 31 March previous, and
  - (b) its expenditure and income for the year to 31 March previous, subject to the views of the external auditor.
- 9 The second stage requires that on or before 30 September, approval needs to be given to the statement of accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take account of the views of the external auditor. Once approved, the statement of accounts must be formally published on the council's website.
- 10 The first stage was completed on 18 June 2021 and the draft accounts were presented to Members of the Audit Committee on 30 June 2021.
- 11 At the time of writing this report, the external auditor has almost completed the audit of the statement of accounts. The Audit Completion Reports are to be presented by the auditor to the Committee today.
- 12 During the audit, working in collaboration with the auditor, a number of amendments were identified which have been included in the statement of accounts presented today.

## **Statement of Accounts**

- 13 The statement of accounts for the financial year 2020/21 has been prepared in accordance with the 'Accounts and Audit Regulations 2003', as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the 'Accounts and Audit (England) Regulations 2015, the Accounts and Audit (Amendment) Regulations 2021 and the 'Code of Practice on Local Authority

Accounting 2020/21' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 14 The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 15 During the audit review of the draft statement of accounts, a number of 'misstatements' were identified which have since been amended. These are listed in Section 6 of the Audit Completion Report.
- 16 In addition, a number of changes have been made to the notes to the financial statements to assist the reader's understanding of the document, to correct errors and ensure compliance with the requirements of the Code.
- 17 There was a number of 'non-material misstatements' identified which remain unadjusted. These are also listed in Section 6 of the Audit Completion Report. As the unadjusted misstatements do not materially affect the accuracy/ integrity of the statement of accounts, no adjustments have been made for these items.
- 18 A separate Audit Completion Report has been provided for the Pension Fund. There was a number of 'misstatements' identified during the audit, which were mainly due to the classification of assets, and have since been amended. There was one issue identified by the auditor which has not been adjusted for as it does not materially affect the accuracy/ integrity of the statement of accounts. These are listed in Section 6 of the Audit Completion Report for the Pension Fund.
- 19 Upon completion of the audit of the accounts, a "letter of representation" will be produced which will contain the reasons for not adjusting any items.
- 20 To help Members in reading and interpreting the contents, Appendix 2 to this report briefly explains the purpose of each section of the statement.

## **Audit Opinion**

- 21 On completion of the audit of the accounts, auditors must give their opinion on the financial statements of Durham County Council and the Pension Fund, including:
- a) whether they give a true and fair view of the financial position of the council and the Pension Fund and their expenditure and income for the year in question; and
  - b) whether they have been prepared properly in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 22 The auditor can issue a 'qualified opinion' where he has some reservations or concerns, or an 'unqualified opinion' where he does not have any such reservations.
- 23 In addition, the auditor is required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office issues guidance to auditors that underpins the work they are required to carry out and sets out the reporting criteria to be considered. The criteria is:
- a) Financial sustainability – how the council plans and manages its resources to ensure it can continue to deliver its services;
  - b) Governance - how the council ensures that it makes informed decisions and properly manages its risks; and
  - c) Improving economy, efficiency and effectiveness - how the council uses information about its costs and performance to improve the way it manages and delivers its services.
- 24 For 2020/21, the auditor intends to issue an unqualified opinion on the accounts of the council and the Pension Fund accounting statements. He also expects to conclude that there are no significant weaknesses in relation to the arrangements that the council has in place to secure economy, efficiency and effectiveness in its use of resources in the value for money review.
- 25 The auditor can formally conclude the audit and issue an audit certificate upon completion of their audit work on the Whole of Government Accounts (WGA) consolidation pack and when he has

completed the work necessary to satisfy himself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- 26 Unfortunately the National Audit Office will not be issuing their WGA guidance and Data Collection Tool until at least December 2021 for the 2020/21 accounts, which is much later than in previous years.

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## **Appendix 1: Implications**

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### **Legal Implications**

Compliance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2020/21 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

### **Finance**

This report details the financial position of the council as at 31 March 2021.

### **Consultation**

None.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

### **Risk**

None.

### **Procurement**

None.

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**Appendix 2: Statement of Accounts - Summary and Explanation**


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Item	Pages	Explanation of Purpose and Content
Narrative Report	3 - 24	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Statement of Responsibilities for the Statement of Accounts	25	Sets out the responsibilities of the council and the Corporate Director of Resources for the statement of accounts.
Independent Auditor's Report to Durham County Council	27 - 31	Once the audit is completed the Auditor's report will be signed.
<b>Durham County Council Core Financial Statements</b>		
Comprehensive Income and Expenditure Statement (CIES)	32	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement	33	This statement shows the movement in the year on the different reserves held by the council analysed into 'usable' reserves and other reserves.
Balance Sheet	34	The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.
Cash Flow Statement	35	The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.



Item	Pages	Explanation of Purpose and Content
Notes to the Core Financial Statements	36 - 142	The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.
Collection Fund	143 - 150	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Independent Auditor's Report to DCC Pension Fund	151 – 155	Once the audit is completed the Auditor's report will be signed.
Durham County Council Pension Fund Accounts	156 – 196	Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March. Notes providing further information follow the accounts.
Annual Governance Statement	197 - 223	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the council.
Glossary of Terms used in the Accounts	224 - 239	To assist readers in understanding terminology used in the statement of accounts.