

**South Lakeland District Council**  
**Audit Committee**  
**Thursday, 29 July 2021**  
**Statement of Accounts and Annual Governance**  
**Statement 2020/21**

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**Portfolio:** Finance and Assets Portfolio Holder  
**Report from:** Section 151 Officer  
**Report Author:** Helen Smith – Finance Lead Specialist (Section 151 Officer)  
Claire Read – Finance Specialist  
**Wards:** (All Wards);  
**Forward Plan:** Not applicable

**Links to Council Plan Priorities:** The Council is in a position to deliver against all four Corporate Priorities, listed below, by having a good system of Governance in place.

- Working across boundaries
- Delivering a balanced community
- A fairer South Lakeland
- Addressing the climate emergency

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**1.0 Expected Outcome and Measures of Success**

1.1 This report is presented to allow Audit Committee to scrutinise and note the unaudited Statement of Accounts. Also to allow then to consider Annual Governance Statement Action Plan

**2.0 Recommendation**

**2.1 It is recommended that Audit Committee:-**

- (1) consider and note the unaudited Statement of Accounts for 2020/21 (including the Annual Governance Statement) and to consider and note the Annual Governance Statement Action Plan; and**
- (2) confirms that the management response to the auditor risk assessment set out in Appendices 3 and 4 is a true reflection of the council's management processes.**

**3.0 Background and Proposals**

3.1 The deadlines for the preparation of the Accounts have been changed for the 2020/21 accounts. Having considered the impact of the Covid-19 pandemic and in consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Amendment) Regulations 2021 which require the draft Accounts to be submitted for audit by 31 July 2021 rather than 31 May 2021 and the timeline for the conclusion of the audit is now 30 September 2021 rather than 31 July 2021. The Council's accounts were submitted

to the External Auditor on 18 June 2021 in accordance with internal timelines, and significantly ahead of the revised statutory deadline.

- 3.2 The unaudited Statement of Accounts for 2020/21 were approved by the Finance Lead Specialist (Section 151 Officer) on 18 June 2021. The accounts are subject to public inspection (from 21 June 2021) where the general public can raise objections, questions and comments with the External Auditor. The revised Accounts and Audit Regulations 2015 require that the 2020/21 accounts should be considered and approved by members and published no later than the 30 September 2021, or as soon as reasonably practicable after the receipt of the auditor's final report (if later than 30 September).
- 3.3 The Statement of Accounts for 2020/21 is included in the agenda pack. Its production and consideration is an important element of the financial stewardship of the Council. Its format and content are largely governed by statutory best practice, which is defined in CIPFA's "Code of Practice on Local Authority Accounting in the United Kingdom 2020/21".
- 3.4 The Statement contains a number of different elements referenced A to I in the contents page, further details on the purpose of each section are given below.
  - A. Section A gives a general overview of the structure and contents of the accounts.
  - B. The Narrative Report in section B provides an analysis of the financial performance for the year and the main movements in the Council's net worth. This summarises the key elements of the main out-turn report presented to Cabinet on 23<sup>rd</sup> June 2021, Overview and Scrutiny Committee on 9<sup>th</sup> July 2021 and Council on 27<sup>th</sup> July 2021. This also includes a summary of non-financial performance against Council Plan targets, as reported to Cabinet on 23<sup>rd</sup> June 2021.
  - C. The Finance Lead Specialist (S151 Officer) approved the accounts by signing the Statement of Responsibilities on 18 June 2021. This is shown in section C.
  - D. Section D details the accounting policies used in the preparation of the Statement of Accounts. These were adopted by Audit Committee on 22 April 2021.
  - E. Section E presents the core financial statements, namely the Movement in Reserves Statement (MIRS), the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and the Cash Flow Statement. These are cross referenced to the Notes to the Accounts in Section F which give more detail behind the figures presented in the core statements.
  - F. Section F includes the notes to the accounts; these are the detailed disclosures required by the Code to explain material transactions and to provide other statutory information (e.g. senior officer remuneration). This section also includes Expenditure and Funding Analysis which aims to link the reported out-turn position in terms of impact on usable reserves, to that under proper accounting practice.
  - G. Section G details the Collection Fund information including the income and expenditure statement and notes.
- 3.5 The Annual Governance Statement (AGS, section H) is published in the same document as the Statement of Accounts. This provides an important context to the financial information as it sets out how internal control has been exercised during the accounting period. This is signed by the Chief Executive and the Leader. This will be updated when the accounts are finalised to reflect any significant governance issues that arise in the intervening period (none are expected).
- 3.6 The AGS has been expanded for 2020/21 to include a summary of changes in governance arrangements as a result of Covid-19, the majority of which were included in the Covid-19 update to Audit Committee in September 2021.

- 3.7 Audit Committee considered the Local Code of Governance and implementation of the CIPFA Financial Management Code. A self-assessment of actions against the Local Code of Governance has been carried out and the AGS action plan has been updated where the self-assessment has identified potential areas of improvement, both against the Local Code of Governance and the CIPFA FM Code.
- 3.8 The audit of the statements is underway and an update will be provided by External Audit of their progress to date to Audit Committee. It is anticipated that the final statements will be brought back to this committee for authorisation on 23<sup>rd</sup> September 2021 but it is expected that the Value for Money Assessment will be finalised later in the financial year.
- 3.9 A revision to auditing standard ISA (UK) 540 (Auditing Accounting Estimates and Related Disclosures) has resulted in significant enhancements in respect of the audit risk assessment process for accounting estimates. Auditors are required to understand and assess an entity's internal controls over accounting estimates, including ensuring that those charged with governance can satisfy itself that arrangements for accounting estimates are adequate. There are consequently a number of more detailed questions in respect of accounting estimates in Appendices 3 and 4 than have been included in previous years and haven't been separately reported to Audit Committee in previous years.
- 3.10 As part of external audit's risk assessment procedures they are required to obtain an understanding of management processes and this Committee's oversight of the following areas:
- General enquiries of Management
  - Fraud
  - Laws and Regulations
  - Related Parties
  - Accounting Estimates

The report at Appendix 3 includes a series of questions on each of these areas and the responses prepared by management. This Committee should consider whether the responses are consistent with its understanding and whether there are any further comments it wishes to make.

Appendix 4 includes a series of specific questions in relation to management's methods, assumptions and controls in respect of material accounting estimates included in the accounts.

#### 4.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Statement of Accounts 2020/21
2	Annual Governance Statement Action Plan 2020/21
3	Informing the audit risk assessment for South Lakeland District Council 2020/21
4	Accounting Estimate Management Responses 2020/21

#### 5.0 Consultation

- 5.1 The unaudited statements were published on the Council's website on 21 June 2021 and were open to scrutiny and comment by members of the public from 21 June

2021 in line with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.

## 6.0 Alternative Options

6.1 The report does not present any alternative options; there is a statutory deadline of 30 September 2021 for publication of the 2020/21 Statement of Accounts or as soon as reasonably practical after the receipt of the Audit Opinion.

## 7.0 Implications

### Financial, Resources and Procurement

7.1 There are no direct financial implications arising from this report. The out-turn report being presented to Cabinet on 23<sup>rd</sup> June 2021, Overview and Scrutiny Committee 19 July 2021 and Council on 27 July 2021 explains the underlying impact on the Council's usable reserves and financial performance for 2020/21 which complements the Narrative Report in the Statement of Accounts.

### Human Resources

7.2 There are no direct human resources implications of this report.

### Legal

7.3 There are no direct legal implications of this report. Signing of the accounts by the S151 officer, publication of the accounts and submission to external audit by the deadline of 31 July met the Council's statutory reporting obligations. The Monitoring officer has been involved and has contributed to both the Annual Governance Statement and Action plan.

### Health and Sustainability Impact Assessment

7.4 Have you completed a Health and Sustainability Impact Assessment? No

7.5 If you have not completed an Impact Assessment, please explain your reasons: The Statement of Accounts and AGS are historic documents relating to activities that have occurred during 2020/21

7.6 Summary of Health and Sustainability Impacts

		Positive	Neutral	Negative	Unknown
<b>Environment and Health</b>	Greenhouse gases emissions				X
	Air Quality				X
	Biodiversity				X
	Impacts of Climate Change				X
	Reduced or zero requirement for energy, building space, materials or travel				X
	Active Travel				X
<b>Economy and Culture</b>	Inclusive and sustainable development				X
	Jobs and levels of pay				X

	Healthier high streets				X
	Culture, creativity and heritage				X
<b>Housing and Communities</b>	Standard of housing				X
	Access to housing				X
	Crime				X
	Social connectedness				X

### Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Analysis, please explain your reasons: The Statement of Accounts and AGS are historic documents relating to activities that have occurred during 2020/21.

7.9 Summary of Equality and Diversity impacts

Please indicate: P = Positive impact; 0 = Neutral; N = Negative; Enter "X"					
Age	P		0		N
Disability	P		0		N
Gender reassignment (transgender)	P		0		N
Marriage & civil partnership	P		0		N
Pregnancy & maternity	P		0		N
Race/ethnicity	P		0		N
Religion or belief	P		0		N
Sex/gender	P		0		N
Sexual orientation	P		0		N
Armed forces families	P		0		N
Rurality	P		0		N
Socio-economic disadvantage	P		0		N

Risk Management	Consequence	Controls required
Committee does not consider contents of Statements	Financial Management decisions would be impaired/ controls weakened; key readers of the accounts are not given the chance to raise queries.	Committee to consider statements and make comments as appropriate

### Contact Officers

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## Tracking Information

<b>Signed off by</b>	<b>Date sent</b>	<b>Date Signed off</b>
Section 151 Officer	Report author	Report author
Monitoring Officer	09/07/2021	12/07/2021
CMT	09/07/2021	14/07/2021

<b>Circulated to</b>	<b>Date sent</b>
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	29/07/2021
Executive (Cabinet)	N/A
Council	N/A