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LONDON BOROUGH OF CROYDON FINANCIAL REPORTING AND YEAR END CLOSE

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Contents

1. Introduction and Summary

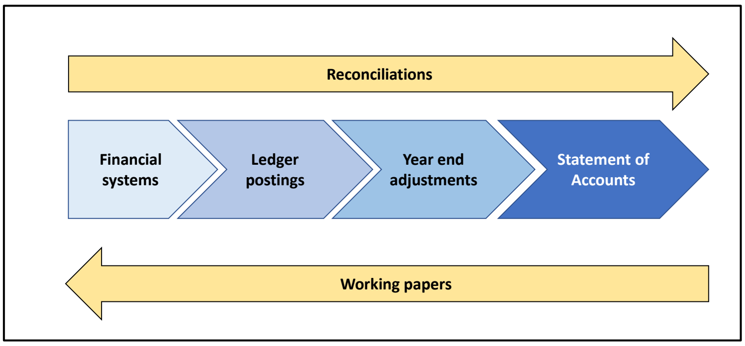
In July 2022, Worth Technical Accounting Solutions Limited were engaged by the London Borough of Croydon to support the Council's "Opening the Books" initiative. This aspect of our work is focussed on financial reporting and year end close.

Good quality financial reporting is based on a combination of:

- fit-for-purpose financial systems for recording everyday transactions,
- accurate postings to appropriate general ledger codes,
- effective arrangements for identifying and processing year-end adjustments, and
- good project management which supports timely production of financial information.

Underpinning this activity are:

- reconciliation controls, which ensure that data is transferred accurately from one stage of the process to the next, and
- comprehensive working papers which support the entries in financial statements.



Our report considers each of these areas in turn. Key recommendations are set out below:

- publication of financial statements was delayed in 2020/21 and 2021/22 as complex accounting issues were identified. Resolving these issues and finalizing and publishing 2021/22 financial statements is now a priority for the Council so that the current position on General Fund balances can be clearly established.
- capacity and resourcing issues have also affected completion of 2021/22 accounts. The Council should ensure that closedown plans, once agreed, are delivered in practice, with prompt action taken to address staffing problems or other delays.
- the corporate finance team does not have effective oversight of bank reconciliations and feeder system reconciliation work. New processes should be introduced to ensure that these reconciliations are carried out regularly throughout the year and adequately evidenced.
- bad debt provisions should be calculated on a consistent and prudent basis at the year end, and all debts which are considered not collectable should be written off.

2. Financial processes

1. It was not part of the agreed scope of this project to review individual financial systems in detail, or to confirm the accuracy of specific ledger balances. Instead, our work has been focused on a high-level review of the following:

   - ledger maintenance
   - bank reconciliations
   - other reconciliation controls
   - ledger maintenance, and
   - income collection, write offs and bad debts

2. Each has been considered in turn below.

Ledger maintenance

3. Most financial information is produced in the first instance from general ledger reports therefore it is of critical importance that this information is accurate and up to date. Our high-level overview was able to confirm that:

   - appropriate interfaces are in place for automatic postings between financial systems (which record-day-to-day transactions) and the ledger codes that these transactions relate to
   - balances on suspense, control and holding accounts are cleared as part of the annual closedown process.
   - where manual journals need to be raised to process information which is not posted automatically, these journals are well controlled and kept to a minimum, which reduces the risk of miscoding and other input errors
   - the ledger coding structure is, in general terms, fit for purpose and follows Code requirements. Year-end accounts can be prepared with the minimum amount of spreadsheet re-analysis, which reduces the risk of errors due to misclassification, poor version control or data loss.

Bank reconciliations

4. By agreeing all cash-based income and expenditure transactions back to third party confirmations (bank statements), bank reconciliations are arguably the single most important control over the integrity of ledger information. In our view all bank reconciliations should be completed weekly, with copies provided to the corporate finance team.

5. One part of the bank reconciliation process takes place on a micro level, by agreeing individual transactions listed in bank statements back to the Council's own financial records. But it is equally important that bank reconciliations operate at a macro level, by:

   - agreeing closing balances on each bank statement back to the relevant account code balance in the general ledger
   - ensuring that all suspense and holding account items have been cleared, and

- updating cash flow forecasts which are used to make treasury management and investment decisions.

6. Our review confirmed that bank reconciliations were completed in full at 31 March 2022 with balances on holding codes and suspense accounts all cleared. However, bank reconciliations are not always kept up to date during the year. For example, in November 2022, copies of bank reconciliations could only be provided up to August.

Other reconciliation controls

7. Financial systems recording day-to-day transactions should be regularly reconciled to the ledger codes that they relate to. Reconciliation controls are essential not just to confirm the accuracy of year-end financial reporting, but also to ensure that in-year outturn reports and budget setting information is accurate.

8. The corporate finance team does not need to complete the reconciliations, but it does need to have effective oversight of the process and be confident that:

- all reconciliations are being undertaken on a regular basis throughout the year
- any reconciling items are investigated,
- all mis-postings have been corrected, and
- all suspense and holding account balances have been cleared.

9. Typically, this oversight is exercised through some form of “dashboard” reporting whereby:

- all the key reconciliations are listed together with target and actual dates for completion during the year (usually monthly)
- a nominated individual within the corporate finance team is assigned responsibility for obtaining copies of the reconciliations, reviewing them, and ensuring all relevant issues arising have been dealt with.

10. We could find no evidence of such processes being maintained at Croydon, and no corporate guidance on how often reconciliations should be carried out, or on how these key documents should be evidenced and prepared.

11. Other than for sundry debtors and creditor payment systems, our work suggested that reconciliations are not taking place regularly, or at least not being evidenced, throughout the year. The table below sets out the position at 30 November 2022:

	Most recent reconciliation
Creditor payments and Sundry debtors	October 2022
Payroll	August 2022
Council Tax income, Business Rates income and Fixed Asset Register	March 2022
Housing rents income and Housing Benefits	No reconciliations for 2022/23 provided to date

12. More regular reconciliation activity, and more effective processes to ensure that any issues identified were properly addressed, would have significant benefits in terms of both:

- reducing closedown workload at the year-end, and in

- ensuring that in-year reports to senior management and to members were accurate.

Income collection and provisions for bad and doubtful debts

13. The corporate finance team appears to have had, until recently, limited oversight of:

    - income collection rates
    - levels of bad debt write-offs, or
    - the process for calculating year-end provisions for bad and doubtful debts.

14. A recent appointment has been made to co-ordinate and oversee income collection across all aspects of Council activity, reporting back to the section 151 officer. This is very much to be welcomed, however at the time of our fieldwork this individual was new in post. Currently, there appears to be no corporate guidance on how bad debt provisions should be calculated, and the information we received was presented in a range of different formats, supporting calculations made in different ways and based on varying assumptions.

15. Based on the information available for 31 March 2021, total gross debts, and bad debt provisions for the Council's main categories of income are shown below:

At 31 March 2021				
	Arrears	**Bad debt provisions**		
	£000s	**£000s**	**%**	
Housing Benefits Overpayments	37,187	(13,413)	36%	
Council Tax	59,881	(43,569)	73%	
Business rates	17,322	(9,815)	57%	
Current tenants arrears	4,257	(116)	3%	
Former tenants arrears	12,795	(994)	8%	
Sundry debtors	44,060	(7,806)	18%	
Total	**175,502**	**(75,713)**	**43%**	

16. Although the method of calculating each different category of provision varies, in general, only debts over 6 years old have been fully provided for and, again in most cases, no significant provision is being made at all until the debt is 2-3 years old. The Council is carrying a significant amount of debt which is more than 7 years old which is fully provided for. There is limited movement on such debt and best practice would be to write off most of these debts.

17. Based on our experience of calculations elsewhere, we have suggested that all debts over 5 years old should be written off and all debts over 2 years old should be at least partially provided for. This would increase the overall provision to between 50% and 75% of total debts at 31 March 2023, an increase of between c£10m and £55m.

18. The Council has responded promptly to this suggestion and has established a working group to review income collection processes, write-offs and provisions.

Recommendations

R1 Corporate guidance should be provided on key accounting areas such as the preparation and evidencing of:

- **bank reconciliations**
- **other key reconciliation processes**
- **bad debt write-offs, and**
- **calculation of bad debt provisions at the year-end.**

R2 Bank reconciliations should be completed weekly, with copies provided to the corporate finance team together with evidence confirming that:

- **each bank statement reconciles back to the ledger,**
- **all suspense and holding account items have been cleared, and that,**
- **cash flow forecasts used to make treasury management decisions have been updated as necessary.**

R3. A "dashboard" process (or equivalent) should be established to confirm that:

- **feeder system reconciliations are undertaken monthly throughout the year,**
- **any reconciling items are investigated,**
- **mis-postings have been corrected, and**
- **all suspense and holding account balances have been cleared.**

R4. Bad debt provisions should be calculated on a consistent basis, based on the age of the debt and a realistic assessment of collectability. As a general rule, based on practices that we have observed elsewhere, all debts over 5 years old should be written off and all debts over 2 years old should be at least partially provided for.

R5. The Council is carrying a significant amount of debt which is more than 7 years old and, although much of this is fully provided for, most of these debts should be written off.

3. Working papers

19. Working papers should be prepared to support all of the transactions, balances and disclosure notes in the accounts. They should be filed centrally, in well-signposted folders which are accessible to all Finance staff as well as the external audit team.

20. Working papers are key to the external audit process and the external audit team should be able to provide a list of working paper requirements (often referred to as the “Prepared by Client” list or PBC), well in advance of the year end. This list should be a key driver for closedown work and a copy of the PBC list cross-referenced to detailed working papers should be available at the start of the audit.

21. As well as using the PBC to ensure completeness, it is important that working papers are prepared to the required quality standard and on a broadly consistent basis. Many local authorities achieve this by using templates or a standard working -paper index. Examples of a working-paper index and a comprehensive file structure are provided in Appendix 1.

22. The Council already uses year-end templates for calculating and posting revenue and capital accruals and for requesting movements to and from reserves. This approach should be extended, as a minimum, to cover all year-end accruals, prepayments, provisions and receipts in advance.

23. Many local authorities adopt a “right first time” approach to working papers, by ensuring that all working papers are subject to detailed review before the draft financial statements are prepared. Usually this is done by including additional columns in the closedown plan for reviewer and preparer, with separate completion dates for preparation and review.

24. In addition to detailed reviews of individual working papers, analytical review should be completed to explain the reasons for material changes compared to the budget and the previous year. This is usually a core requirement of the audit team’s PBC list.

25. The corporate finance team do complete an analytical review for the Net Cost of Services element of the accounts, by comparing net costs for each Directorate to the Quarter 4 out-turn report. This process should be extended to provide additional assurance by:

    - comparing debt charges and investment income to Treasury Management reports, and
    - comparing Balance Sheet assets and liabilities against previous years.

26. One area where audit expectations have increased significantly in recent years is the evidence provided for key accounting estimates. Revisions to *“ISA 540 - Auditing accounting estimates and related disclosures”* apply from 2020/21 onwards and require auditors to be much more challenging in areas such as land and building valuations, material provisions and IAS 19 disclosures.

27. Even where external experts have carried out these valuations, local authorities are now usually expected to explain in detail:

    - how each material estimate has been calculated,
    - how key assumptions have been arrived at,

- how financial modelling has been applied,
- what source data has been used,
- what work has been done to confirm that this information is accurate,
- any changes in the estimation method,
- how external specialists are appointed and utilised,
- how management judgement has been exercised, and
- any significant uncertainties which might affect the valuation.

28. The audit of accounting estimates was considered in detail at the CIPFA Local Authority Accounting Conference in July 2022. Appendix 2 provides copies of slides from that conference, setting out how working papers could be compiled to evidence new audit requirements on asset valuations and pension liabilities.

Recommendations

R1 A Prepared by Client (PBC) list should be obtained from the audit team and used to ensure that a comprehensive set of working papers is produced each year.

R2 Templates should be introduced to ensure that working papers are prepared to a consistent standard and support all transactions, disclosures and balances in the Statement of Accounts.

R3 Closedown work should include:

- **detailed review of year-end working papers at pre-audit stage**
- **analytical review on all material transactions, disclosures and balances.**

R4 Working papers should specifically address new audit requirements on key accounting estimates for:

- **land and property valuations**
- **IAS 19 disclosures, and**
- **any material provisions or accounting estimates.**

4. Project management

29. Publication of the Council's year-end financial statements has been delayed significantly since the Section 114 Notice was issued in November 2020. The 2020/21 accounts were not published until 31 August 2021 (4 months after the year-end and 1 month later than the COVID delayed statutory deadline of 31 July) and 2021/22 accounts had not been published as at 30 November 2022, when we originally reported and remain outstanding at 27 January 2023 (10 months after the year-end).

30. The Accounts and Audit Regulations 2015 require financial statements to be drafted and published by 31 July each year. Many local authorities do not achieve this in practice, but, as a minimum, accounts should be completed before budget setting preparations start in autumn each year.

31. Specific problems at Croydon which have led to these delays have included:

- disagreements about the correct accounting treatment for specific transactions, most notably Croydon Affordable Homes, and
- uncertainty over the availability of additional financial support from central Government
- resourcing and capacity issues, which have delayed, for example, production of the pension fund accounts and annual report for 2021/22.

32. Arguably, the production of year-end accounts has historically not always been seen as a priority in the context of the Council's other financial challenges. However, the Chief Executive has confirmed to us that the prompt closure of year-end accounts, and working effectively with Grant Thornton to expedite completion of the audit, is now a key priority for the Council.

33. In our view, timely production of financial statements forms an important part of the Council's financial recovery since, without this, accurate monitoring of General Fund reserves and balances cannot take place. It is also important, from a transparency and "building trust" perspective, that both in-year and year-end financial reporting is kept up to date.

34. Resolving complex accounting issues can take time, and where necessary, appropriate caveats and additional disclosures can be included in published financial information to explain the context and set out any specific areas of concern. We have provided officers with suggestions as to how this could be done, based on our experiences elsewhere.

35. The Section 151 officer has a key role to play by ensuring that:

- fit-for-purpose project management arrangements are in place,
- financial statements are published on or before 30 September each year,
- in-year financial reporting is up to date,
- the necessary skills and resources are available,
- speedy and informed decisions are taken to address any problems or delays, and

- financial information contains the necessary caveats where accounting or audit issues remain unresolved.

36. Project management arrangements for 2021-22 year-end close were adequate but there is scope for further development, as follows:

    - the current closedown plan identifies c320 tasks to be completed between 1st January and 30 June 2022. Closedown plans at similar-sized authorities are usually more detailed, typically listing 500-600 separate tasks and cross-referenced to Code and PBC requirements,
    - most tasks are allocated to a named individual. However almost 50 tasks were either allocated generically to spending departments or finance teams, so it was not clear exactly who would be responsible for completing these in practice,
    - the closedown plan only identifies c10% of tasks to be completed in advance of 31 March 2022. The Council should be aiming to complete early work wherever possible, for example by finalising the template Statement of Accounts in early January and by drafting revenue-based disclosure notes using Period 10 forecast outturn.

37. Year-end closedown work has traditionally been led, and largely delivered by just 3-4 people in the corporate finance team. Although over 30 individuals are listed in the closedown plan, the role of most of these staff is limited, and their contribution could be significantly enhanced. Many local authorities are moving towards a resourcing model whereby:

    - closedown work involves all service-based finance staff as well as Exchequer and Treasury Management personnel,
    - the role of the corporate finance team is focussed on liaison, review and general oversight, coupled with the provision of training and technical expertise.

38. This approach creates additional resilience, reduces key-person risk and can help to avoid delays. It should also facilitate speedier production of year-end accounts. To be successful however it does depend on staff who are new to financial reporting and audit being supported effectively in their new role. Usually this is done through a combination of the following:

    - staff training – a staff briefing was provided in 2021 covering issues such as year-end cut-off, working papers, recharges, and accruals. This approach should be developed and extended to include, for example, technical training on Code requirements and audit expectations,
    - providing written guidance and instructions. Appendix 3 sets out a list of potential issues where written guidance to Finance staff is provided by other authorities.

39. Project management should not only cover the processes leading up to the publication of the draft accounts each year but should also include processes for making sure that audit work is completed as quickly as possible, with all audit queries responded to promptly and comprehensively.

40. The Council's current target is to respond to audit queries within 2-5 days but there are no systematic processes in place to ensure that:

- target response times are being met,
- issues with a potentially material impact on the financial statements are given priority, and that,
- auditors are happy with the responses provided and do not require any further information to complete their work.

41. Given the increased level of audit work now necessary to meet regulatory requirements, and the consequent impact this has on practitioners, many local authorities are now finding it necessary to appoint a project manager with specific responsibility for managing the audit process as opposed to managing the production of the accounts. Other actions which local authorities use to keep the audit work on track include the following:

- regular meetings, at a senior level, between the Section 151 officer and the local external audit team, and
- audit progress being included as a standing item on Audit Committee agendas.

Recommendations

R1 Timely production of year-end accounts and in-year financial information should be a corporate priority going forward, with visible and effective leadership ensuring that:

- **financial statements are published by 30 September each year, and**
- **outturn reports are published on a regular basis throughout the year.**

R2 Closedown plans should be reviewed and updated to ensure that:

- **the key tasks identified reflect all Code and PBC requirements,**
- **all tasks are allocated to named individuals, and that,**
- **as much work as possible is completed in advance of 31 March each year**

R3 Closedown work should be less dependent on a small number of staff within the corporate finance team by involving all service-based finance staff as well as Exchequer and Treasury Management personnel.

R4 Staff briefings on year-end close should be developed and extended to include, for example, technical training on Code disclosures and audit requirements.

R5 Written guidance should be provided to all staff involved in year-end close.

R6 Project management arrangements should ensure that all audit queries are responded to promptly and comprehensively.

R7 Regular meetings between the Section 151 officer and the local external audit team, and regular progress reports to the Audit Committee, should be used to monitor both the production of year-end accounts and the progress being made by external audit.

5. Year-end financial statements

42. The Council's unaudited financial statements for 2020/21 were published in August 2021. We were not engaged, as part of this assignment, to carry out a technical review on these financial statements or to examine supporting working papers in detail, but we did complete a high-level review of Code requirements and key consistency checks, which is set out in Appendix 4.

43. The layout, format and overall presentation of the Council's draft financial statements is based on CIPFA's published example accounts and therefore should meet most Code requirements. Key disclosure issues that we identified were as follows:

    - the Statement of Accounts does not typically include an Annual Government Statement (AGS). At Croydon this statement is prepared and published separately from the rest of the accounts. Whilst the Code does not require a full AGS to be published as part of the accounts, it does require a summary statement to be included, or at the very least, clear signposting as to where a stand-alone AGS might be found.
    - 2021/22 draft accounts do not include the Council's pension fund accounts. We understand that these accounts were not prepared or published by 1 December 2022, despite this being a statutory requirement.
    - Note 1.2 (accounting policies) confirms that the going concern assumption has been applied but does not refer to either the Section 114 Notice issued in November 2020, or to ongoing Government support
    - there are no credit risk disclosures on trade and loan debts in the Financial Instrument disclosures, and no aged analysis of debtors or information on debts past due date not yet impaired. Note 17(debtors) discloses total credit loss allowances but there is no detail about how this has been calculated or the debt profile that it relates to.

44. In addition to the published example accounts, CIPFA also produce a detailed disclosure checklist each year. Many local authorities complete this checklist as part of their pre-audit review, to demonstrate that the draft accounts submitted for audit meet Code disclosure requirements in full.

45. An Excel workbook is used by the Corporate Finance team to carry out arithmetic, cross-referencing and consistency checks. Overall, this seems to work well, although there may be scope for further development. For example, in the Council's 2020/21 accounts, some movements on the Major Repairs Reserve, the Capital Adjustment Account and the Expenditure and Funding Analysis were not consistent with core statements and other disclosure notes.

46. The CIPFA publication "Streamlining the Accounts" contains a useful Section 151 checklist, setting out key consistency issues, and the CIPFA example accounts publication for LGPS pension schemes also includes a more detailed consistency checker for this section of the accounts.

47. In addition to the issues highlighted above, our other reports to the Council have considered specific accounting issues and disclosure requirements relating to:

- Croydon Affordable Homes
- Capitalised Transformation costs
- Capitalisation Directions obtained from the Government, and
- Minimum Revenue Provision (MRP) calculations.

48. Officers recognise that addressing these issues will require adjustments to unaudited financial statements for 2020/21 and 2019/20, and that external audit work in relation to either these financial statements or to 2021/22 is unlikely to progress until the relevant adjustments can processed and agreed.

49. Resolving these matters, some of which have been outstanding for several years, should therefore be addressed as a priority. This would enable the Council not only to progress external audit work but to obtain greater clarity about levels of General Fund balances, which will assist with budget setting for 2023/24 and future years.

Recommendations

R1 The published Statement of Accounts should either include the complete version of the Annual Government Statement, a summarised version to meet Code requirements, or, as a minimum, clear signposting as to where the AGS can be found.

R2 2021/22 pension fund accounts should be completed as soon as possible. The 2021/22 pension fund annual report should also be drafted and published as this is now overdue.

R3 Going concern disclosures in Note 1.2 should explain why the going concern assumption remains appropriate given the Council's current financial position.

R4 The Statement of Accounts should include credit risk disclosures on trade and loan debts, together with an aged analysis of debtors and summary information on debts past due date not yet impaired.

R5 To demonstrate that all relevant Code requirements have been met, the Council should complete CIPFA's detailed disclosure checklist each year.

R6 Spreadsheet-based cross-referencing and consistency checks should be extended to include cross-checks on:

- **movements in useable and unusable reserves**
- **the Expenditure and Funding Account, and**
- **the subjective analysis of Net Cost of Services in Note 1C.**

R7 Some complex accounting matters have been outstanding for several years. Resolving these matters, and making appropriate adjustments to prior year's financial statements, should be regarded as a priority.

Appendix 1 – Example working papers

File structure

- 01 Accounting policies
- 02 Balance Sheet
- 03 Borrowing
- 04 CFR and capital financing
- 05 Cash
- 06 Cash Flow Statement and Notes
- 07 CIES
- 08 Collection Fund
- 09 Creditors
- 10 Key judgements, assumptions and accounting estimates
- 11 Debtors
- 12 External audit fees
- 13 IFRS 13 Fair Value
- 14 Financial Instruments
- 15 Direct Schools Grant
- 16 Grant income
- 17 Group Accounts
- 18 HRA and disclosure notes
- 19 Inventory
- 20 Leases
- 21 Material items
- 22 MIRS, Earmarked reserves and adjustments
- 23 Narrative report
- 24 Non current assets and PPE
- 25 member & officer remuneration
- 26 Other CIES disclosure notes
- 27 PBSEs and contingencies
- 28 Pension costs and IAS19
- 29 PFI schemes & service concessions
- 30 Pooled budgets
- 31 Prior Period Adjustments
- 32 Provisions
- 33 Related Party Transactions
- 33 Subjective analysis
- 34 Short and long term investments
- 35 Trading and agency services
- 36 Unuseable reserves
- 37 Expenditure and Funding Analysis
- 38 QA and consistency checks

Working paper index

Working paper index	
WP 1. Draft disclosure note	Note 17'!A1
WP 2. GL report	GL '!A1
WP 3. Feeder system reconcilation	year end rec'!A1
WP 4 - 6. Other supporting information	accruals and RIA'!A1
WP 7. Year end adjustments	journals!A1
WP 8. Code disclosure checklist	disclosure checklist'!A1
WP 9. Analytical review	anaytical review'!A1
WP 10. Review sheet	Review sheet'!A1

Appendix 2 – Evidencing key accounting estimates

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Case study 2 - IAS19 reports

Working papers index	
1. QA to confirm that the data collection submission provided to the actuary is correct	WP1
2. Checks to confirm the accuracy of membership records via AR reconciliation controls	WP2
3. Emails to confirm the actuary is aware of pension prepayment and academy outsourcing	WP3
4. Emails to confirm the actuary has taken account of McCloud and other legal cases	WP4
5. Notes of meetings with actuary to discuss demographic and financial assumptions	WP5
6. Confirmation that the draft IAS 19 report includes the detailed information requested by auditors	WP6
7. Confirmation (via LGPS) that the actuary's terms of engagement meets all Code requirements	WP7

CIPFA performance in public services

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Case study 2 – valuation reports

Working papers index	
1. Spot checks to confirm that the Fixed Asset Register info provided to valuers is correct	WP1
2. Checks to confirm the accuracy of floor area, rent income, tenancy length and voids	WP2
3. Emails to confirm arrangements for valuer site visits	WP3
4. Copies of property condition surveys and backlog reports	WP4
5. Notes of meetings with valuer to discuss content and layout of valuation reports	WP5
6. Confirmation of appointment process for valuers inc assessment of competence and experience	WP6
7. Confirmation that the valuer's terms of engagement meets all Code and Red Book requirements	WP7

Appendix 3 – Closedown Guidance Notes

Detailed guidance notes could include the following areas, depending on their significance to the Council:

Roll-over of prior year balances	Transfers to and from reserves
Year-end cut off	Identifying contingent assets
Calculating and posting revenue accruals	Identifying contingent liabilities
Calculating and posting capital accruals	Identifying post year end events
Calculating and posting provisions	Identifying RPT disclosures
Clearing suspense and holding accounts	Group accounts information
Clearing GRNI balances	IAS 19 disclosures
Calculating prepayments and RIA	LGPS investments reconciliation
Stock-taking procedures	LGPS contributions reconciliation
Petty Cash balances	LGPS benefits reconciliation
Year-end bank reconciliations	Analytical review
Calculating bad debt provisions and credit loss allowances	Reconciliation to Q4 out-turn reports
Accounting for grant income	Identifying post year end events
Accounting for section 106/CIL income	FI risk disclosures
AP and AR reconciliations	FI notes
Housing Benefit reconciliations	Fair Value disclosures
Payroll reconciliations	Staff cost disclosures
Council Tax reconciliations	Audit fee disclosures
Business rates reconciliations	Exit payments
Fixed Asset Register reconciliations	Drafting the Narrative Report
Housing rents reconciliation	
HMRC reconciliations	

Appendix 4 – Review of 2020-21 Statement of Accounts

Contents and Presentation	
Are all core statements included ie CIES, Balance Sheet, CFS, MiRS, HRA, Coll Fund, Group Acc's, AGS, Narrative Report and Glossary?	No AGS, otherwise yes
Comprehensive income and expenditure statement	
Does the reported surplus or deficit for each year match the corresponding entries in the MiRS?	YES
Is the reported surplus/deficit in the CIES consistent with the cash flow statement and the EFA?	YES
Is the statement cross referenced to relevant disclosure notes?	YES
Is NCOS analysis under 10 lines?	YES
Does the Total Comprehensive Income and Expenditure for the year equal the movement in net assets in the Balance Sheet?	YES
MiRS	
Are statutory adjustments consistent in total between the MIRS and the disclosure note?	YES
Are movements to and from earmarked and General Fund/HRA reserves consistent between the MiRS and disclosure notes ?	YES
Balance sheet	
Do reserves balances match the corresponding entries in the MiRS?	YES
Do cash and cash equivalent figures in the balance sheet agree to the cash flow statement?	YES
Is the statement cross referenced to relevant disclosure notes?	YES
Cash Flow Statement	
Is the statement cross referenced to relevant disclosure notes?	YES
Collection Fund	
[illegible] transactions?	YES
Are CT and BR surpluses and deficits c/f and b/f separatelly disclosed?	YES
Has the basis for reallocating previous year's surplus or deficits been disclosed?	YES
Prior Period adjustments	
Where prior period adjustments have been identified, do core statements include additional lines/columns and disclosure note (s) as appropriate?	No PPAs disclosed on 2020-21 accounts
Group accounts	
Does the reported surplus or deficit for each year in the Group CIES match corresponding entries in the Group MiRS and Group Cash Flow Statement?	YES
Do Group accounts include additional disclosure notes for balances which are materially differnet from the single entity accounts?	No separate Group accounts disclosure notes - all cross-references are to single entity financial statements
Does the Total Comprehensive Income and Expenditure for the year equal the movement in net assets in the Group Balance Sheet?	YES
Does the Group Balance Sheet balance and is it consistent with the Group MIRS and Group Cash Flow Statement?	YES
Is the Group MIRS consistent with single entity accounts?	YES
Housing Revenue Account	
Are HRA core statements cross referenced to relevant disclosure notes?	YES
Does the HRA Movement on Balances statement agree to (1) the MiRS (2) the main statement statutory adjustments notes (3) the HRA I&E account?	YES
Do movements on MRR balance agreeee to MIRS and statutory adjustments note?	No - MIRS doesn't show the movements in and out on MRR balances each year and the Statement of Movement on HRA balances includes an adjustment of £437k which is reflected in the statutory adjustments note but is not reflected in the MRR note or the MIRS
Are HRA disclosure notes consistent with corresponding notes in the main statement of accounts?	YES
Accounting policies, critical judgements and assumptions	
Do accounting policies reflect expected transactions and balances ? Have they been updated to reflect new Code requirements on IFRS 9 and IFRS 15?	Note 1.2 confirms that the going concern assumptioin has been applied but not why and does not make reference to either the s114 Notice or ongoing reliance on DLUHC support. Neither is there an accounting policy to set out how the CD obtained from DLUHC has been applied and accounted for, the only (very brief) reference to the CD is in note 5
Have all critical judgements and significant estimates beeen correctly identified and disclosed?	Largely yes, although sensitivity analysis has not been provided for key accounting estimate disclosures in note 4 (apart from IAS 19).
Material items of income and expenditure	
Has a subjective analysis been provided and is this consistent in total with the CIES?	Analysis provided in Note 1C does not reconcile in total back to the CIES. Also a segmental analysis of income has been provided but this does not agree in total to either the subjective analysis or the CIES
Does disclosure note only relate to transasctions not covered elsewhere?	YES
Post balance sheet events, contingent assets and contingent liabilities	
Are disclosures correctly categorised between PBSEs, provisions and earmarked reserves?	YES
Transfers to and from earmarked reserves	
Has the Council provided an analysis of transfers to and from earmarked reserves?	YES
Is the nature and purpose of all earmarked reserves set out correctly in the disclosure note?	YES
Financial instruments and Fair Value	
Are Fair Value disclosures provided in line with Code requirements ie level 1-3 analysis plus disclosures on valuation? Have additional disclosures been provided for any level 3 assets or liabilities?	Yes for financial instrumens in note 16 and for non-FIs (investment property, surplus assets and assets held for sale) in note 12. all classed at level 1 or 2 so no level 3 assets or liabilities identified.

Does the format of FI notes reflect IFRS requirements ie (1) analysis of FI assets and liabilities (2) analysis of FI gains and losses (3) comparison of fair value and balance sheet value for Fis carried at cost?	Yes although note 16 should clarify that all FI liabilities are carried at amortised cost
Do FI risk disclosures cover credit risk (trade, loans and Treasury Management), liquidity risk, price risk and interest rate risk? Is there an analysis of borrowing by maturity date?	No credit risk disclosures on trade and loan debts, and no aged analysis of debtors or information on debts past due date not yet impaired.
Have credit loss allowances been identified and disclosed in line with IFRS 9 requirements (as part of FI risk disclosures)?	No evidence of credit loss adjustments in note 37. Note 17(debtors) includes a credit loss allowance but there is no detail about how this has been calculated or the debt profile that it relates to.
Capital expenditure and financing	
Are capital additions consistent between PPE and CFR notes?	YES
Are the sources of finance per CFR note consistent with movements on the CAA?	YES
Provisions	
Has the purpose of each provision been explained?	YES
Unuseable reserves	
Is the analysis of unuseable reserves consistent with the MiRS?	YES
Are movements on unuseable reserves consistent with the statutory adjustments note?	No direct read-across from Note 7 to CAA analysis in note 23.3 for adjustments not relating to capital financing and the CFR, otherwise OK.
Expenditure and Funding Analysis	
Is EFA consistent with the CIES and stat adjustments note?	Some consistency issues in EFA - 2019/20 surplus/deficit in EFA does not agree to CIES and stat adj total in EFA doesn't = MIRS and note 7 in both years.
Do b/fwd and c/fwd GF and HRA balances in the EFA agree to corresponding figures in the MIRS?	YES
Grant income	
Is the grant income analysis consistent with the CIES for non-service grant income and with the Balance Sheet for grants received in advance?	Yes but note 30 incorrectly includes Council Tax and NNDR income
Is the DSG note consistent with grant income disclosures?	YES
Leases, service concessions and PFI schemes	
Do notes identify the NBV of assets held under finance lease and PFI schemes, and the balance sheet liabilities that these relate to?	See separate report for consideration of CAH disclosures. Otherwise yes.
Do service concession/PFI and leasing notes notes disclosure the total of future payments due under the contract analysed between type of payment and date due (within 5 year bands)?	Yes, although providing overall totals would be helpful rather than just future payments for each individual scheme
Pensions	
Does pensions ressrve = pensions liability at 31 March each year?	YES
Do disclosure notes on LGPS liabilities meet IAS 19 requirements ie (1) analysis of pension fund assets and liabilities (2) analysis of pensions charges to CIES (3) analysis of pension fund investments (4) analysis of demographic and financial assumptions?	Yes for 1, 3 and 4 but no analysis of pensions charges to the CIES has been provided in note 31
Do LGPS accounts follow CIPFA example accounts format?	YES
Do Fund Account and Net Asset Statement balance?	YES
Are the Fund Account and Net Asset Statement cross-referenced to relevant disclosure notes?	YES
Do FI and FV disclosures meet Code requirements?	YES
Does the investments reconcilation in Note 13 agree to NAS and Fund Account disclosures?	YES