

Audit & Governance Committee: 28th October 2020

AUDITED 2019/20 STATEMENT OF ACCOUNTS

1. Purpose of Report

- 1.1 This report presents the Council's revised 2019/20 Statement of Accounts, following the statutory audit period.

2. Recommendation

- 2.1 It is recommended that:

- **The Audit & Governance Committee notes the revised 2019/20 Statement of Accounts and Executive Summary following the statutory audit period;**
- **The Audit & Governance Committee formally recommends approval of the audited statement of accounts to Full Council at the meeting on the 26th November 2020.**

3. Introduction / Background

- 3.1 The Council is required to follow The Accounts and Audit Regulations 2015 which sets out the obligations for the production and publication of its financial statements. The main requirement was that the Council should present a Code of Practice on Local Authority Accounting (the Code) compliant set of accounts with the External Auditor by no later than 31st May and the Auditor gives their opinion on those accounts by no later than 31st July.
- 3.2 Given the exceptional circumstances caused by the COVID-19 pandemic, the Government has given both local authorities and Auditors, special dispensation for the 2019/20 accounts process via the passing of The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 in April 2020.
- 3.3 Specifically, the revised regulations have provided flexibility to submit its draft accounts by no later than 30th August 2020. Members of the Committee will recall that the Council opted to submit its draft financial statements by the end of June 2020, an extension of one calendar month in comparison to the 2018/19 process.
- 3.4 From the perspective of the Auditor, The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 allowed Auditors the flexibility to provide their opinion on the accounts of local authorities by no later than 30th November 2020.
- 3.5 Members of the Committee will be aware that the External Auditors for 2019/20 are Grant Thornton.
4. Current Position
- 4.1 The Council's Auditors, Grant Thornton, commenced their audit work in early July and to date, have practically completed all work on the audit of the Council's 2019/20 financial statements. There remains a relatively low level number of

queries outstanding, none of which are expected to impact on the Auditor's opinion on the accounts.

- 4.2 The ISA 260, which is the formal report from the Auditors to 'those charged with governance', is presented to Members of the Committee on this agenda for comment. Please note, this covering report is not intended to take Members through the ISA 260 Report.
- 4.3 Following practical completion of the audit a number of amendments are proposed to be made to the accounts presented in June, following discussion with the External Auditors. The paragraphs below explain these changes in more detail for the benefit of Members of the Committee.
- 4.4 The most significant amendment is in relation to the Council's pension deficit {on an accounting basis) as at the 31st March 2020. The Council receives information from the actuary in early April to enable it to meet its statutory deadline in respect of submitting its draft accounts as previously discussed.
- 4.5 Contained within the suite of pensions information is the position for the Council's assumed proportion of pension fund assets, and in particular, the performance of such assets during the financial year. The process undertaken by the actuary is to use actual evidence up to the end of December, with an estimate being made for the remaining three months of the financial year.
- 4.6 There ordinarily is a difference between the estimated position provided by the actuary and what actually transpired which in previous years has not been material. In 2019/20, due to the COVID pandemic, the estimates made by the actuary are significantly different to the actual position, with a difference of a notional £6.930M reduction on the value of the Council's proportion of the pensions fund's assets as at 31st March 2020, therefore increasing the net liability.
- 4.7 It should be noted that this adjustment has no effect on the useable reserves of the Council. Furthermore, it should be noted that the way the Council provides / budgets for its future pension obligations is based on the funding basis, which is different to the position in the statement of accounts, which is based on the prescribed accounting standards. The funding position shows a relatively small deficit to which the Council has plans to address over the medium term.
- 4.8 The revised set of accounts, complete with tracked changes from the draft set of accounts is attached at Appendix 1 and has been updated to reflect this change.
- 4.9 Furthermore, a number of non-material presentational amendments have also been made as highlighted in Appendix 1.

5. Consultations

- 5.1 The Statement of Accounts has been prepared in conjunction with all Executive Directors and Financial Services support staff. The audit process has been overseen by the Council's s151 Officer and the Audit Lead from Grant Thornton. External Audit has a statutory obligation to issue their opinion on the Council's accounts by no later than 30th November 2020.

6. Local Area Implications / Compatibility with European Convention on Human Rights / Reduction of Crime and Disorder / Risk Assessment
 - 6.1 No direct implications.
7. Proposal
 - 7.1 That the Auditor submits their ISA 260 Report, along with the Service Director Finance (the Council's S151 Officer) submitting the revised, audited 2019/20 Statement of Accounts to the Full Council meeting of the 26th November 2020 for consideration and comment.
8. Financial Implications
 - 8.1 The Authority's revised statutory financial statements for the financial year 2019/20 are attached at Appendix 1 to this report with 'tracked changes' to allow Members sight of the amendments being made as part of the audit process, since the draft accounts which were considered by Members in June.
 - 8.2 Furthermore, the Council has also produced an Executive Summary, which it proposes, will be published alongside the Statement of Accounts on the Council's website. The Executive Summary aims to explain the Statement of Accounts and the key messages contained therein, in a non-technical way. This Executive Summary is attached at Appendix 2 for Members' consideration.
9. Employee Implications
 - 9.1 No direct implications.
10. Glossary
 - 10.1 CIPFA - Chartered Institute of Public Finance and Accountancy
11. List of Appendices
 - 11.1 Appendix 1 – Audited Statement of Accounts 2019/20
Appendix 2 – Executive Summary & Explanatory Notes 2019/20
12. Background Papers
 - 12.1 Various closedown files, working papers and external audit schedules are available for inspection within the Finance Business Unit.

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