

AUDIT COMMITTEE

30 NOVEMBER 2020

REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

A.1 EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT FOR THE YEAR ENDED 31 MARCH 2020

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present:

- The Annual Governance Statement 2019/20 for approval.
- The External Auditor's Audit Completion Report for the year ended 31 March 2020, which includes the management representation letter, for consideration and approval, to enable a final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor.
- The Statement of Accounts 2019/20 for consideration and approval for publication by 30 November 2020.

EXECUTIVE SUMMARY

- At the time of finalising this report for printing, the External Auditor had substantially completed the audit of the 2019/20 accounts with their associated Audit Completion Report attached, which includes a management representation letter for approval by the Committee.
- The External Auditor anticipates issuing an unqualified audit opinion on the Council's financial statements and use of resources as set out on page 4 of their report. It is important to highlight that they have yet to complete some elements of their work which could still impact on this position. If changes to this position are required then it will be reported directly at the meeting of the Committee.
- There are no unadjusted audit differences as set out on page 22 of the External Auditor's Report.
- Although a number of changes and improvements to the Statement of Accounts have been made, the External Auditor has highlighted some adjustments that they are required to bring to the Committee's attention. These are set out on page 23 of their report, with one of the main adjustments required being to reflect the impact of COVID 19.
- Page 20 of the External Auditor's report also sets out some recommended additional amendments to the accounts. These have been agreed and therefore a number of immaterial notes and disclosures have been removed from the Statement of Accounts.

- None of the adjustments made have had an impact on the General Fund or Housing Revenue Account Balances for the year.
- The Council's audited Statement of Accounts for 2019/20, which reflect the amendments identified to date, are attached. Subject to the approval of the Audit Committee, the Statement of Accounts are required to be published by the end of November 2020.
- Three recommendations have been made by the External Auditor which are set out on pages 31 and 32 of their report. These have been agreed and updates will be reported as part of the Table of Outstanding Issue Reports that are presented to each meeting of the Committee.
- The outstanding actions to be completed by the External Auditor are set out on page 40 of the External Auditor's report. Therefore it is possible that further amendments to the accounts and / or management representation letter may be required. If this is the case then any changes will either form part of an addendum report published in advance of the meeting or reported directly at the meeting of the Committee.
- Following the review process that forms part of the External Auditor's work, the Annual Governance Statement 2019/20 that was previously agreed by the Council's Management Team in July 2020, has been subject to some minor amendments. The final version for publication is attached as **Appendix A** for consideration by the Committee.

RECOMMENDATIONS

- 1. That in respect of the External Auditor's Audit Completion Report for the year ended 31 March 2020, the Audit Committee:**
 - (a) Considers and notes the contents of the report including the adjustments to the Statement of Accounts as set out on pages 20 and 23 of their report;**
 - (b) subject to (a) above, approves the management representation letter set out on Pages 48 to 50 of the External Auditor's Audit Completion Report;**
 - (c) subject to (b) above, authorises the Assistant Director Finance & IT and the Audit Committee Chairman to sign the management representation letter for forwarding to the External Auditor;**
 - (d) subject to (b) and (c) above, approves for publication the audited Statement of Accounts for 2019/20, amended for the adjusted items identified; and**
- 2. That in respect of the Council's Annual Governance Statement 2019/20, the Audit Committee:**
 - (a) Approves the revised Annual Governance Statement set out in Appendix A; and**
 - (b) authorises, subject to 2(a) above, the Chief Executive and Leader of the**

Council to sign the Annual Governance Statement set out in Appendix A.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity and ability to deliver against its objectives and priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting these key objectives. The outturn position and associated Statement of Accounts reflects this process and supports the successful financial planning process which includes communicating and consulting with relevant stakeholders.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

There are no direct financial implications with audit costs expected to be completed within existing budgets. The actual fee is therefore anticipated to be broadly in-line with the planned fee for the year with further details set out on page 35 of the Audit Completion Report attached.

Risk

The preparation, reporting and publishing of the Statement of Accounts follows a relatively tight timescale with various milestones along the way. Against this backdrop, the production of the accounts is required to be completed to the necessary standards and deadlines with the aim of preventing any significant issues arising from the audit process.

LEGAL

The Statement of Accounts 2019/20 are prepared within the framework set out in the Local Audit and Accountability Act 2014 and associated regulations, the primary ones being the latest Accounts and Audit Regulations.

Due to impact of the COVID 19 pandemic, The Government agreed a revised deadline for the publication of the audited Statement of Accounts – the deadline was moved from the end of July 2020 to the end of November 2020.

The closure of accounts process, the preparation of the Statement of Accounts and their subsequent audit, along with the arrangements to secure value for money, reflect the requirements and responsibilities of the Council.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications from this report. However in respect of equality and diversity, the Council ensures that the Statement of Accounts and associated governance reports are accessible to all by advertising their availability and publishing them electronically on the Council's website.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The pre-audited Statement of Accounts for 2019/20 were approved for publication by the Council's S151 Officer (Assistant Director Finance & IT) at the end of August 2020.

The pre-audited Annual Governance Statement 2019/20 was approved for publication by the Council's Management Team at the end of July 2020.

Each year the Council's External Auditors are required to prepare an annual report setting out the outcomes from their review of the Statement of Accounts (including the Annual Governance Statement) and the Council's value for money arrangements. The Audit Committee is required to consider the content of this annual report and approve for publication the final audited Statement of Accounts and Annual Governance Statement.

A draft management representation letter which sets out certain management representations is included within pages 48 to 50 of the External Auditor's Audit Completion Report attached. The Audit Committee are also required to separately approve this letter and authorise the Assistant Director Finance & IT and Audit Committee Chairman to sign it before it is forwarded onto the External Auditor.

Once the above tasks are completed the External Auditor can conclude the audit by finalising and formally issuing their audit opinion along with the certification of the accounts.

AUDIT COMPLETION REPORT FOR THE YEAR ENDED 31 MARCH 2020

The auditors have issued their Audit Completion Report for the year ended 31 March 2020, a copy of which is attached. Although the External Auditor's work is nearing completion a small number of activities remain outstanding as set out on page 40 of the External Auditor's Audit Completion Report. However the External Auditor currently plans on issuing an unqualified audit opinion in respect of the Financial Statements and on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Following the external audit work completed to date, a number of improvements / adjustments have been required with further details set out on pages 20 and 23 of the Audit Completion Report. A number of these adjustments relate to the need to highlight the potential impact of COVID19 on the Council's financial position and resilience. It is important to highlight that the Annual Governance Statement had already reflected on this matter and as part of the associated actions, it will form an important element of the Internal Audit Plan in 2020/21 and 2021/22.

None of the adjusted items have a direct impact on the overall 2019/20 financial position of the Council.

In respect of other matters arising, the External Auditor has made three recommendations, which are set out on pages 31 and 32 of their report. These have been agreed and updates / progress will be provided as part of the usual Table of Outstanding Issues Reports that are presented to each meeting of the Committee.

One of the three recommendations made relates to financial reserves and budgets carried forward from prior years. Although a number of specific reserves have been highlighted within the Auditor's report, the underlying issue, as described by the auditor, is about ensuring their on-going validity and that it can be demonstrated that they are held at a level that optimises service delivery without unacceptable risk exposure. This is a timely observation as similar discussion have already taken place within the Council over recent weeks and work is now underway to explore and identify the additional external resources required to take forward / deliver the associated activities and priorities in 2021 and beyond.

To conclude the Statement of Accounts process for 2019/20, the Audit Committee is required to consider the Audit Completion Report for the year ending 31 March 2020, approve the management representation letter and approve the final Statement of Accounts for 2019/20, which includes the adjustments mentioned earlier in this report. Therefore subject to the agreement of the recommendations above and the completion of the External Auditor's outstanding work, the final Statement of Accounts for 2020/21 will be published by the end of November deadline.

The External Auditor will be in attendance at the meeting to formally present their Audit Completion Report to the Committee.

ANNUAL GOVERNANCE STATEMENT 2019/20

The Annual Governance Statement 2019/2020 has been subject to some minor amendments. **Appendix A** therefore sets out the revised Annual Governance Statement 2019/20.

The Annual Governance Statement is presented to the Committee for consideration and approval along with seeking the necessary agreement to the Chief Executive and the Leader to sign it, which has been reflected in the recommendations above.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A Annual Governance Statement 2019/20

Attachment 1 External Auditor's Audit Completion Report: Year ended 31 March 2020 (Including the Letter of Representation set out on pages 48 to 50)

Attachment 2 The Council's Statement of Accounts 2019/20 for Publication (subject to further changes that may be identified following the completion of the outstanding areas of work by the External Auditor)