

AUDIT AND STANDARDS COMMITTEE

21 September 2020

Title: Statement of Accounts 2018-19 and BDO's ISA260 Report	
Report of the Finance Director	
Open Report	For Decision
Wards Affected: All	Key Decision: No
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Accountable Strategic Leadership Director: Philip Gregory, Finance Director (Section 151 Officer)	
Summary The Council's draft accounts have been subjected to detailed audit by our external auditors, BDO. Whilst the audit opinions are yet to be issued, as at the date of preparing this report, BDO are proposing an unqualified audit opinion for the Statement of Accounts, including the Pension Fund 2018-19 and unmodified use of reserouces conclusion. In accordance with the Accounts and Audit Regulations, the accounts and the Annual Governance Statement are now being presented to this Committee for their consideration and approval prior to publication.	
Recommendation(s) The Audit and Standards Committee is recommended to: (i) Review and note the Audit Completion Report (ISA260) from our external auditors, BDO, as set out at Appendix 1 to the report; (ii) Review and approve the draft Statement of Accounts for the year ended 31 March 2019, as set out at Appendix 2 (Single Entity Accounts with material changes highlighted in yellow) to the report. Group Accounts will follow nearer the time at Appendix 5; (iii) Approve both the Pension Fund Accounts (Appendix 3) and the Annual Governance Statement (Appendix 4) for the year ended 31 March 2019, as enclosed in the Statement of Accounts; and (iv) Confirm that the final Statement of Accounts 2018/19 be published as soon as practically possible and authorise the Finance Director, in consultation with the Chair, to make any changes to the draft accounts that may be agreed with the Council's external auditor.	

Reason(s)

It is a statutory obligation for the Council's Statement of Accounts to be produced and audited, and that the Statement of Accounts and the Annual Governance Statement must be approved by a Committee of the Council

1. Introduction and Background

- 1.1 The publication of the Statement of Accounts is governed by the requirements of the Accounts and Audit Regulations. These require the Statement of Accounts to be certified by the Council's Section 151 officer (Finance Director) as presenting a true and fair view of the financial position of the Council in each year. The accounts must then be submitted for external audit to publish audited accounts.

2. Audit of Accounts

- 2.1 Details of the audit progress to date can be found in the Appendix 1 – in the BDO's Audit Completion Report (ISA260).
- 2.2 At the time of this report, work is still on-going on the Council's Group Accounts 2018-19. Given it is the first year of consolidation and the fact each subsidiary follow different accounting framework, it has been a significant challenge to consolidate all into the Group Accounts. There have been a significant number of review points raised throughout the audit with additional follow up queries raised at the time of this report being issued. Some details are provided at Appendix 1 and a further verbal update will be provided at the Committee.
- 2.3 A significant amount of misstatements were identified during the audit, the majority of which have been amended. The net value of the unadjusted misstatements is £422k. The adjustments which make up this balance will not be amended in the accounts given the final net balance falls under the materiality threshold (£11m). It was deemed more pragmatic by management not to correct these so as to help move the draft 2018/19 accounts nearer to the finish line.

3. Management Representation Letter

- 3.1 It is a requirement of external audit that the Section 151 Officer signs a letter of representation confirming that he has the responsibility for the proper administration of the financial affairs of the authority and that the duties that this entails have been undertaken. The draft letter will be signed nearer to the date of approval of the accounts.

4. Publication of the Statement of Accounts

- 4.1 If the recommendation to approve the Accounts is agreed by this Committee, BDO will be able to provide their formal opinion on the accounts and formally conclude the audit. The accounts will then be placed on the Council's website.

5. Financial Implications

- 5.1 There is an audit fee implication for the Council as a result of additional audit work. This will be discussed further after the audit is signed off.

6. Legal Implications

- 6.1 The Local Audit and Accountability Act 2014 (the '2014 Act') requires that the Council as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the 'Regulations'). Regulation 9 sets out a timetable and requires certification by the Council's responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution.
- 6.2 Furthermore, specified relevant local authorities are required under Regulation 6(1) (b) to prepare an Annual Governance Statement ('AGS').

Governance is defined by CIPFA / SOLACE2 as:

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

and

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

- 6.3 The Regulations require the AGS be approved by a resolution of a Committee of the Council.
- 6.4 Following approval the Council must publish the statement of accounts, the AGS as approved and a narrative statement by the Council on its financial performance, and economy, efficiency and effectiveness in the use of its resources over the financial year.

Public Background Papers Used in the Preparation of the Report: None.

List of appendices:

- Appendix 1 – Audit Completion Report (ISA260) from BDO
- Appendix 2 – Draft Statement of Accounts 2018/19 (single entity accounts)
- Appendix 3 – Draft Pension Fund Accounts 2018/19 (fully audited)
- Appendix 4 - Annual Governance Statement 2018/19
- Appendix 5 – Group Accounts 2018/19 – **to follow**