

Statement of Accounts 2019/20

Report of the Head of Finance & Revenues

Recommended:

1. **Ernst & Young's Annual Audit Results Report (Annex 1 to the report):**
 - a. **That the matters raised in the report be considered before authorising the financial statements for issue.**
 - b. **That the proposed audit opinion and value for money conclusion be noted.**
2. **That the letter of representation (Annex 2 to the report) be approved.**
3. **That the audited Annual Statement of Accounts for the financial year 2019/20 (Annex 3 to the report) be approved.**

SUMMARY:

- The Council is required to prepare an Annual Statement of Accounts and have those accounts audited. This report presents the audited Annual Statement of Accounts for approval together with the Annual Audit Results Report of the Council's external auditors, Ernst & Young.
- The Statement of Accounts is presented with an unqualified opinion; this means the auditors have found no unadjusted material errors or misstatements in the accounts.

1 Introduction

- 1.1 The Council is required to produce and approve an Annual Statement of Accounts for each financial year.
- 1.2 The accounts for the year ended 31 March 2020 have now been audited by Ernst & Young and the Annual Statement of Accounts, together with the auditor's Annual Audit Results Report are presented here for approval.

2 Ernst & Young's Annual Audit Results Report

- 2.1 As part of the reporting process, Ernst & Young produce an Annual Audit Results Report (AARR). This is shown in Annex 1.
- 2.2 The AARR details findings in respect of the audit of the accounts and investigations into the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

2.3 An unqualified opinion is expected to be given in respect of both the Annual Statement of Accounts and the Council's value for money arrangements. This means that the auditors have found no material areas of concern as part of their audit where suitable adjustments to the accounts have not been made.

3 2019/20 Statement of Accounts

3.1 The accounts were prepared in accordance with statutory guidance and deadlines.

3.2 The former Head of Finance approved the draft financial statements for audit on 17 July 2020. Following this, the accounts were submitted to Ernst & Young along with relevant working papers in order that the audit could be carried out.

3.3 The usual deadline for publishing audited accounts was moved from the usual date of 31 July 2020 to 30 November 2020. This was to make some allowance for the impact that coronavirus would have on both the Council and auditor resources, additional work that would be required as a result of the pandemic and having to carry out the audit without relying on on-site attendance for the bulk of the audit work.

3.4 Despite this extension to the reporting deadline, many Councils were unable to sign off their audits before the end of November. EY's Audit Manager gave a verbal update on the progress of the audit to the Audit Panel meeting on 23 November 2020.

3.5 Aside from minor presentational changes, there were two main areas where changes to the accounts have been made from the version that was approved for audit.

3.6 Impact of coronavirus

The coronavirus has had a significant impact on the Council's finances and operating processes. Budget update reports have highlighted the expected financial impact in 2020/21 and 2021/22 and many staff have moved from office-based work to home-working.

Although the impact was just taking hold at the end of the financial year in question, auditors must also take into account material events that take place after the balance sheet date and so must give consideration to the effects felt in 2020/21.

Additional audit work was undertaken to focus on the Council as a going concern – that is to say whether it has sufficient financial resilience to continue delivering its functions after taking into account the impacts of coronavirus.

This resulted in a number of additional and updated disclosures but does not affect the bottom line nor does it identify any material risk that the Council will continue as a going concern.

3.7 Valuation of Investment Properties

The audit challenged the approach that was used in the preparation of investment property valuations in the accounts.

This is a particularly technical area that is undertaken by RICS qualified valuers. The relative lack of comparable, local, market evidence for similar assets makes the valuation assessment of some of these assets even harder.

The approach used in the preparation of the draft accounts was similar to that used in previous years. However, following initial audit testing, EY identified that the valuation included in the draft accounts was below the level they would expect for the number and type of investment assets held.

An independent review was instigated to assess the most material asset values and resulted in a recommendation that the value shown in the draft accounts be increased. This led to a significant increase (c£40M) in the value shown of investment properties.

However, as significant as this increase is, it doesn't affect the level of financing that is available to fund Council services or future capital investment. Accounting rules prevent the Council from using unrealised gains on asset values for any purpose.

- 3.8 Before approving the Annual Statement of Accounts, Councillors should consider the Council's Annual Governance Statement shown at the end of the Statement of Accounts (Annex 3). This remains unchanged from the statement approved by Council on 2 September 2020.

4 Conclusion and reasons for recommendation

- 4.1 The Statement of Accounts presented with this report is recommended to be approved by the General Purposes Committee as the Council's audited Statement of Accounts for 2019/20.
- 4.2 It is expected that Ernst & Young will be issuing an unqualified opinion in respect of both the Annual Statement of Accounts and on the Council's ability to deliver value for money.
- 4.3 The reason for the recommendation is to comply with a statutory duty to approve the Council's audited Statement of Accounts each year.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	3	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Carl Whatley	Ext:	8240
Report to:	General Purposes Committee	Date:	10 February 2021