

Non-Executive Report of the:  <b>Audit Committee</b>  Tuesday, 30 May, 2023	
<b>Report of:</b> Interim Corporate Director, Resources	<b>Classification:</b> Unrestricted
<b>Statements of Accounts for 2018/19 and 2019/20</b>	

<b>Originating Officer(s)</b>	Tim Harlock, Interim Head of Strategic Finance – Chief Accountant
<b>Wards affected</b>	All wards

### Executive Summary

This report presents the statements of accounts for 2018/19 and 2019/20 for final approval, and provides consideration of the material findings of the external auditor, Deloitte, with regard to the accounts, as presented elsewhere on this agenda.

### Recommendations:

The Audit Committee is recommended to:

1. To delegate authority to the Chair of Audit Committee and the s151 Officer to sign off the Statements of Accounts upon completion of any final amendments, should they arise.
2. To approve the refreshed Annual Governance Statements for 2018/19 and 2019/20, which have been inserted within the respective Statements of Accounts; these statements have been updated to ensure they are still appropriate to reflect the circumstances as at the date that the Statements of Accounts are approved.
3. In conjunction with reviewing the update of the external auditor, Deloitte, presented separately on the agenda, to note the Council's consideration of the significant matters therein.

## 1. **REASONS FOR THE DECISIONS**

- 1.1 Recommendations 1 and 2 are so as to fulfil statutory requirements; recommendation 3 is so as to understand the wider context.

## 2. **ALTERNATIVE OPTIONS**

- 2.1 To defer approval of the accounts and Annual Governance Statement if there should be significant reason, but, ultimately, approval of the accounts is a statutory requirement.

## 3. **DETAILS OF THE REPORT**

### Overview of the 2018/19 and 2019/20 accounts

- 3.1 This committee last received update reports in January 2023. Since that time officers have restated the accounts for both years, taking into account some of the findings produced by the external auditor that were presented at that meeting, and also incorporating further adjustments as required when significant matters have arisen in the intervening period.
- 3.2 Of great significance for Members will be the fact that the Council's useable reserves have remained constant, at a total of £559m as at 31 March 2020, and indeed this has been the case since January 2022. This therefore helps to provide overarching assurance that possibly the very most important aspect of the financial accounts, *the measure of resources available for service needs going into the future, has been unchanged for some considerable time*, despite all of the more technical or presentational amendments that have been made to the accounts in the meantime.
- 3.3 The restated accounts are provided in the Appendices to this report, although it should be noted that possibly a few final amendments will be required in order to close out ongoing matters with the auditor, since, at the time of drafting this report, we understand that there may be a small number of matters showing as open still on their files.
- 3.4 Of special note is that the Annual Governance Statements have been refreshed in both years' Statements of Accounts in order to bring them up to date. They will require approval from this committee, and also signing off by the Mayor and Chief Executive in order to facilitate the auditor to sign off the Statements of Accounts.

### Consideration of the auditor's findings for the 2018/19 and 2019/20 accounts

- 3.5 The external auditor, Deloitte, presents their update and findings to Members separately on the agenda of this meeting.

- 3.6 The audits for both years are nearing their conclusions, and, barring unforeseen significant matters arising, these two reports from Deloitte will be the final reports presented to this committee on these years.
- 3.7 In Appendix A of their reports, Deloitte advises of items of unadjusted misstatements, which the Council accepts with the key consideration that the misstatements are not material, and the accounts therefore present a true and fair view of the financial standing of the organisation.
- 3.8 In Appendix B of their reports, Deloitte advises where they will issue qualified opinions; officers have been suitably advised by Deloitte on these matters. At this stage, the position on qualifications is as follows (subject to receiving further update at the meeting):
- The Council accepts the qualifications for failure to prepare group accounts in 2018/19 and 2019/20; group accounts have been prepared for the next version of the 2020/21 accounts.
  - The Council accepts the qualifications regarding related party relationships; officers understand that the 2019/20 accounts will receive a qualification due to the comparative information, ie the previous year's disclosure rather than for the 2019/20 data itself. Officers are aware that for later years there is not a full set of returns from Members, and so the Council is likely to face further qualifications on this matter in 2020/21, 2021/22 and 2022/23 without further remedial action.
  - The Council accepts the qualifications regarding disclosure of officers' remuneration; in large part this has arisen through having a large number of schools using third-party payroll providers. In more recent years officers have improved the quality of the data requests to these payroll providers, but there may still be some discrepancies to iron out in the capture of payroll costs on the Council's General Ledger in 2020/21.
- 3.9 One final item of particular note, within Deloitte's 2018/19 report presented on the agenda of this meeting, is that the Council had received a formal recommendation from the previous external auditor, KPMG, but had not dealt with it completely in accordance with statutory requirements. It appears that officers at the time had addressed the substance of the recommendation, but Deloitte are asking that Audit Committee consider whether it is satisfied; officers shall set up a register to record such instances going forwards.
- 3.10 In their reports to this committee in January 2023, Deloitte also advised of a number of control observations, to which officers provided response in the report submitted to that meeting.
- 3.11 Finally, in striving to improve processes, one matter is very specifically tied to Members, that of declarations of related parties. With regard to those Members as at 31 March 2023, officers are pleased to report that all have

now responded to requests for disclosures; however, officers are still in the process of obtaining declarations from some of those Members from pre-May 2022.

#### **4. EQUALITIES IMPLICATIONS**

4.1 There are no equalities implications arising from this report.

#### **5. OTHER STATUTORY IMPLICATIONS**

5.1 Approval of the accounts, once Members are satisfied, is a statutory responsibility that falls to Audit Committee.

#### **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 This whole report presents matters that are directly concerned with fulfilment of the role and responsibilities of the s151 officer.

#### **7. COMMENTS OF LEGAL SERVICES**

7.1 Regulation 10 of the Accounts and Audit Regulations 2015 requires a local authority to publish their statement of accounts not later than 31 July of the financial year immediately following the end of the financial year to which the statement relates, or, for the financial year starting in 2019, not later than 30 November. These dates have not been kept.

7.2 Regulation 3 of the Accounts and Audit Regulations 2015 requires a local authority to have a sound system of internal control which ensures that the financial and operational management of the authority is effective.

7.3 Save as mentioned above, the matters set out in this report comply with the above legislation.

7.4 The Council's Constitution permits delegation of functions as proposed in this report.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- There have been various updates provided to this committee since July 2019 from both Deloitte and officers, particularly the report to 26<sup>th</sup> January Audit Committee, but this report, taken together with the Deloitte reports presented on this agenda, are self-contained.

## **Appendices**

- Appendix A: 2018-19 Statement of Accounts
- Appendix B: 2019-20 Statement of Accounts

### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of “Background Papers” used in the preparation of this report**

List any background documents not already in the public domain including officer contact information.

- NONE.

#### **Officer contact details for documents:**

N/A