

Non-Executive Report of the: Audit Committee Thursday, 23 November, 2023	
Report of: Corporate Director, Resources	Classification: Unrestricted
Statements of Accounts for 2018/19 and 2019/20	

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

Special Circumstances Justifying Urgent Consideration

This report was not published at the same time as the meeting agenda due to extensive and urgent work that was required to support the assessment of the impact on Council owned properties of the recently revealed RAAC (Reinforced Autoclaved Aerated Concrete) issues. This work has only just been completed.

The report needs to be considered at this meeting because it is vital that the Audit Committee can fulfil its role in reviewing and approving the accounts promptly as further delays might cause a significant impact on the Council’s financial management.

Executive Summary

The Corporate Director for Resources (“s151 officer”) is satisfied that the 2018/19 and 2019/20 accounts present a true and fair view of the financial position of the Council, except for those matters described in the Statement of Responsibilities certification presented within those accounts (and which are noted within paragraph 3.8 of this report).

This report presents the statements of accounts for 2018/19 and 2019/20 for final approval.

The accounts for these years have been qualified by the external auditor, but officers believe that the course of action which is most in the public interest is to draw a line under these two years now and to progress to completing the accounts for the historical outstanding backlog, with a view to confirming an up-to-date financial position as soon as possible.

Recommendations:

The Audit Committee is recommended:

1. To approve these Statements of Accounts.
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.

1. REASONS FOR THE DECISIONS

- 1.1 The recommendations are so as to fulfil statutory requirements.

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 May 2023. Since that time officers have restated the accounts for both years, with the principal adjustments affecting the pension liability, which, as at 31 March 2020, has been increased from £428m to £473m.
- 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 minor amendments will be required once Deloitte have completed their review of the final documents.

- 3.4 Of particular 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 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 Furthermore, Deloitte advises where they will issue qualified opinions; officers have been suitably advised by Deloitte on these matters. The position on qualifications is as follows (subject to receiving further update, if any, at the meeting):
- The Council accepts the qualifications for failure to prepare group accounts in 2018/19 and 2019/20; officers consider there is no impact on matters of financial management arising from this.
 - 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 consider there is no impact on matters of financial management arising from this.
 - 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. Officers consider there is no impact on matters of financial management arising from this.
 - The Council accepts the qualifications arising from potential error in the net pension liability figures. The valuation of the pension liability and related entries relies on information about scheme members, such as their age and current salary or annual pension. Errors were identified in the information provided by the Council to the actuary for the purpose of the valuation of the liability at 31 March 2020 and 31 March 2019, some of which were present at previous balance sheet dates. It

has not been practicable to check and correct all errors in view of the volume of records involved.

- The above matter also leads to corresponding qualifications on the Pension Fund accounts.

3.9 These latter qualifications, relating to errors identified in historical member data of the pension scheme, will require further work from officers to remedy satisfactorily.

3.10 Besides auditing the accounting statements, the auditors are also required to provide an opinion on arrangements to secure economy, efficiency and effectiveness from the Council's use of resources. The auditors have also qualified these conclusions, as follows:

- The 2018/19 Value for Money conclusion has been qualified in respect of children's services, due to the findings of the Ofsted 2018 report, and subsequent reports.
- Both years' Value for Money conclusions have been qualified in respect of financial reporting arrangements.
- Both years' Value for Money conclusions have been qualified in respect of risk management and the system of internal control.

3.11 The latter two bullet points correlate to content within the Annual Governance Statements, where there is further detail laid out.

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.
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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, 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

- NONE.

Officer contact details for documents:

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