

STATEMENT OF ACCOUNTS 2018/19 – UPDATE 2

SUMMARY:

The purpose of this report is to inform Members' of audit progress for the Council's Statement of Accounts for 2018/19 since the meeting on 23 September 2019, and to set out a revised timetable for the completion of the audit and provision of the audit opinion. The Committee is reminded that the deadline for issuing a final set of audit statements of accounts and audit opinion of 31 July 2019 was not met.

RECOMMENDATIONS:

It is recommended that the Committee:

- i) Note the revised timescale for approval and publication of the audited statement of accounts

1 INTRODUCTION

- 1.1 The Council published a draft statement of account 2018/19 on 31 May 2019. The Council is required under regulation to obtain an independent external audit opinion on the true and fair nature of the statement of accounts. Following provision of the external audit opinion the relevant Council Committee (being Licencing, Audit and General Purposes Committee) is required to approve the accounts and publish both the approved set of account and the audit opinion by 31 July 2019.
- 1.2 As reported to the committee at the meetings on 29 July 2019 and 23 September 2019, the Council's external auditor opinion was not going to be received until after the statutory deadline of 31 July 2019. At the meeting in September, members were informed that the delay in the opinion being issued is largely due to material changes in the valuation of the depot and the impact of the McCloud judgement on the Council's pension fund liability.
- 1.3 In terms of context, it is worth noting that there were 208 public bodies (Councils, Fire and Rescue, Police and other LG bodies) that did not receive an auditor opinion by 31 July 2019 – as compared to 64 at the same point the previous year.

- 1.4 This report provides members with an update on progress made since September and sets out the timetable that has been agreed with the Council's external auditor for the audit opinion to be provided.

2 PROGRESS SINCE SEPTEMBER AND REVISED TIMETABLE FOR THE AUDIT OPINION

- 2.1 Members will be aware from the previous update that a second independent valuation of the Depot was received and supported the decrease of £6m in the net book value of Property, Plant and Equipment (PPE) reported in paragraph 3.3 of the 29 July 2019 report.
- 2.2 EY were on-site during September and October to finalise substantive testing of the Council's financial statements and work through the remaining PPE valuation issues. Based on the timetable provided by the Council's external auditors Ernst & Young (doing business as EY) in the September report, completion of the audit and the audit opinion was initially expected in time for the additional meeting of the committee on 16 October 2019.
- 2.3 3 Members will be aware that it was not possible for EY to conclude their audit and issue their opinion for this meeting, and it was rescheduled for the November meeting.
- 2.4 However, despite further work during October from the finance team and EY's auditors and technical estates team, the audit has not been completed due to EY resourcing issues which has meant a final agreed set of accounts has not been produced. Without the final set of accounts to review, EY are not able to provide a safe opinion on the financial statements.
- 2.5 The issues that remain outstanding at the time of writing this report are:
- Further testing of the Depot valuation by EY Technical Estates Team – unresolved adjustment around valuation approach and whether the different valuation results have a material impact on the financial statements.
 - Further testing of subset of PPE asset values (miscellaneous asset class for properties that were last valued in 2014/15 but have not been indexed prior to a full revaluation in 2019/20 in line with the CIPFA Local Authority Accounting Code of Practice). EY have been reviewing the Council's approach and whether the asset valuations included in the Balance Sheet are materially correct.
 - Confirmation from EY that they have concluded all other aspects of the audit.
 - Adjustments to the primary financial statements and associated notes about the accounting treatment under the International Financial Reporting Standard IFRS 9 (classification and measurement of financial instruments) for Pooled Investment Funds. The finance team have accepted EY's view and changes to the accounts will be made.

- 2.6 Without a final view from EY on the two valuation issues and confirmation that no other changes to the accounts are required, the finance team cannot produce a final set of accounts without the risk they will need to be changed again.
- 2.7 Given the way in which the financial statements and notes to the accounts are linked, changes to the statements or the accounting treatment can take the finance team several days to complete, check and review. Therefore, given other pressures on the finance team (e.g. 2020/21 budget setting process), we do not propose starting the update process until it is clear there is no requirement for any further amendment.
- 2.8 Therefore, due to the audit and update requirements for the Statement of Accounts, it is proposed that the committee receives the external audit opinion and approve the Statement of Accounts at their meeting on 27 January 2020.

3 CONCLUSION

- 3.1 The council and external auditors will work together to achieve an audit opinion by the meeting of Licensing, Audit and General Purposes Committee on 27 January 2020.
- 3.2 In terms of the impact of the delayed audit opinion, there is no financial penalty or sanction as a result of the audit opinion being received after the statutory deadline.
- 3.3 It is worth reassuring members that the additional time taken is not due to errors, omissions or matters concerning the quality of the final accounts.

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