

29 July 2019

Audit & Scrutiny Committee

**Statement of Accounts and Annual Governance Statement
2018/19**

Report of: *Jacqueline Van Mellaerts, Director of Corporate Resources*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 This report presents the Council's Statement of Accounts for 2018/19. These accounts have been signed by the Director of Corporate Resources on 31st May 2019. They have been published on our website and have been subject to the relevant inspection period under section 26 of the Local Audit and Accountability Act 2014. No written notice of objection has been received.
- 1.2 On 25th June, the formally Interim Chief Finance Officer, received a phone call from our External Auditors, EY LLP, explaining that their planned Audit which was to commence the week beginning 1st July will be delayed and will need to be rescheduled after 31st July. A meeting was arranged with the Chair of Audit and Scrutiny and the External Auditors to explain the situation and a letter was received dated 3rd July to notify the Council in writing.
- 1.3 External Auditors have expressed their disappointment with this position and recognise the impact this has on the Council's resources, reputation and that this position is through no fault of the Council and its finance team. A reschedule of the Audit has been proposed as soon as possible after 31st July, but no dates have yet been received or confirmed at the time this report was published.
- 1.4 The authority will publish on our website, before the 31st July, the unaudited statement of accounts, the annual governance statement and the narrative statement, without a certificate or opinion from the local auditor, and accompany these documents with a notice explaining the reasons for the delay of the Audit.

2. Recommendation(s)

- 2.1 The Annual Governance Statement 2018/19 attached in Appendix A is approved and signed by the Chief Executive and Leader of the Council.**
- 2.2 The Unaudited Statement of Accounts 2018/19 attached in Appendix A is considered and approved and signed by the Chair of the Audit and Scrutiny Committee.**
- 2.3 The Committee notes the letter received by the External Auditors dated 3rd July Attached in Appendix B.**
- 2.4 The Committee notes paragraph 4.10 and gives delegated authority to the Director of Corporate Resources to agree the final notice that will be published alongside the Unaudited Statement of Accounts 2018/19.**

3. Introduction and Background

3.1 The Statement of Accounts 2018/19 has been prepared in accordance with the “Code of Practice on Local Authority Accounting in the United Kingdom 2018/19” and reflects the statutory requirements for the presentation of the Council’s Accounts.

3.2 The main sections in the Statement are:

a) Narrative Report

The purpose of the narrative report is to provide an easily understandable guide to the most significant matters reported in the accounts.

b) Group Accounts

These statements and notes show the consolidated financial position of the Council with its wholly owned company, Seven Arches Investments Ltd.

c) Movement in Reserves Statement

This is a summary of the movements in the financial year within the different reserves held by the Council. The reserves are analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

d) Comprehensive Income and Expenditure Statement

This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed. The services shown are in accordance with generally accepted accounting practices.

d) Balance Sheet

This sets out the financial position of the Authority as the 31 March 2019. The Balance Sheet reflects the balances and reserves, and net current assets employed in all of its operations, together with summarised information on any fixed assets held.

e) Cash Flow Statement

This summarises the Council's cash transactions throughout the year.

f) Notes to the Core Financial Statements including Accounting Policies

These provide supporting analysis to the Core Financial Statements. The significant Accounting Policies outline the legislation and principles upon which the Statement of Accounts has been prepared.

g) Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost for the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. Councils charge rents to cover expenditure in accordance with regulations - this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

h) Collection Fund

This reflects the Council's statutory obligation to maintain a separate Collection Fund. It shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic rates (NDR)

- 3.3 Brentwood Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, accounted for and used properly. The Annual Governance Statement (AGS) explains how the Council follows a code of Corporate Governance, which is consistent with the principles of CIPFA/SOLACE 'Delivering Good Governance in Local Government – Framework (2016)'. Members are asked to approve the AGS included in Appendix A, which is still subject to external audit.
- 3.4 From 2017/18 the Council has had to work to the earlier statutory deadline of 31st May, to publish an unaudited Statement of Accounts. The revised

deadline for the publication of the accounts following External Audit to issue their opinion is 31st July.

4. Issues, Options and Analysis of Options.

- 4.1 The Council's Statement of Accounts for 2018/19 were signed by the Director of Corporate Resources on 31st May 2019. They have been published on our website and have been subject to the relevant inspection period under section 26 of the Local Audit and Accountability Act 2014. No written notice of objection has been received.
- 4.2 The External Auditors, EY LLP were due to start their Audit on 1st July 2019 for approximately 3 weeks. Their findings were due to be presented within their Audit Results Report to Audit and Scrutiny Committee on 29th July 2019, along with Audited Statement of Accounts 2018/19 for committee approval.
- 4.3 On 25th June, the formerly Interim Chief Finance Officer, received a phone call from our External Auditors, EY LLP, explaining that their planned Audit which was to commence the week beginning 1st July will be delayed and will need to be rescheduled after 31st July, which is after the deadline the Council is required to publish the Statement of Accounts.
- 4.4 A meeting was arranged with the Chair of Audit and Scrutiny and the External Auditors to explain the situation further and a letter was received dated 3rd July to notify the Council in writing. This is attached in Appendix B. The letter explains that due to tighter timescales across the sector and having encountered a number of complex issues on the Major Local Audits that were commenced in June, they are not able to resource the audit. The letter also explains that their first priority is to safeguard the quality of the audits they provide.
- 4.5 External Auditors have expressed their disappointment with this position and recognise the impact this has on the Council's resources, reputation and that this position is through no fault of the Council and its finance team.
- 4.6 Officers are also disappointed and have raised concerns with the Auditors, that the delay will negatively impact the finance team and could affect resourcing responsibilities, as well as impose reputational risk to the Council. A reschedule of the Audit has been proposed as soon as possible after 31st July, but no dates have yet been received or confirmed at the time this report was published.

- 4.7 The letter also sets out our responsibilities for publication of accounts, under the Accounts and Audit Regulations 2015, Regulation 10.
- 4.8 Paragraph 10(2) states: *Where an audit of accounts has not been concluded before the date specified in paragraph (1) an authority must— (a) publish (which must include publication on the authority’s website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this.*
- 4.9 Therefore the authority will publish on our website, before the 31st July, the unaudited statement of accounts, the annual governance statement and the narrative statement, Complete in Appendix A, without a certificate or opinion from the local auditor, and accompany these documents with a notice explaining the reasons for the delay of the Audit.
- 4.10 The suggested wording of the notice is as follows:
The external audit of the draft statement of accounts for the year ended 31 March 2019 has not yet been completed by our external auditors, EY LLP, due to their resource constraints and to safeguard audit quality. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See attached link: <http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made>).
Therefore this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2018/19 final statement of accounts in line with deadline of 31st July 2019, as per paragraph (1). The Audit and Scrutiny committee will consider the results of the 2018/19 audit at the next appropriate meeting, depending on the rescheduled Audit, after which we will publish the final audited accounts.
- 4.11 It is requested that members consider this notice and give delegated Authority to the Director of Corporate Resources to agree the final wording in consultation with other officers and external Audit.
- 4.12 Officers will continue to liaise and work with the Auditors, to ensure an appropriate rescheduled Audit is carried out, and their findings are reported back to Committee when they are reasonably and practically able to do so.

5. Reasons for Recommendation

- 5.1 To enable the Council to meet the requirements of the Accounts and Audit (England) Regulations 2015 in respect of approval of the financial statements and the annual governance statement.

6. Consultation

- 6.1 No Consultation were required for this report.

7. References to Corporate Plan

- 7.1 Good financial management underpins all priorities within the Corporate Plan.

8. Implications

Financial Implications

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- 8.1 The financial implications are considered in the report.

Legal Implications

Name & Title: Daniel Toohey, Head of Legal Services and Monitoring Officer

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- 8.2 All relevant legal considerations have been taken fully into account in compiling this report.

9. Appendices to this report

Appendix A – Unaudited Statement of Account 2018/19 and Annual Governance Statement 2018/19

Appendix B – Letter dated 3rd July received from External Auditor

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