

Committee: Audit & Scrutiny	Date: 28th January 2020
Subject: Audit Results of Statement of Accounts 2018/19	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Director of Corporate Resources	Public
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Summary

The Council's External Auditors, Ernst & Young have substantially completed their audit of the Council's Statement of Accounts for 2018/19. This report presents their conclusions and the final Financial Statements.

External Audit propose to issue an unqualified audit opinion for the Statement of Accounts 2018/19 and an unqualified value for money conclusion.

Recommendation(s)

Members are asked to:

- R1.** Consider the Audit Results Report 2018/19 in Appendix A and note the conclusions contained in it.
- R2.** Approve the Letter of Representation in Appendix B, for signing by the Director of Corporate Resources.
- R3.** Approve the Statement of Accounts for 2018/19 in Appendix C, for signing by the Chair of the Committee and the Director of Corporate Resources.

Main Report

Introduction and Background

1. The Council's unaudited Statement of Accounts were presented to this committee on 29th July 2019. These include groups accounts for the first time, showing the consolidated financial position of the Council with Seven Arches Investments Ltd (SAIL).
2. It was reported to committee that the Council's External Auditors, Ernst & Young, had been unable to commence their audit engagement. An update was given to this committee on 9th October 2019.
3. The External Auditors commenced their audit engagement on 1st October 2019. The audit has progressed well and the Corporate Finance team has worked effectively with external audit. The auditors have now substantially completed this work.

Issue, Options and Analysis of Options

Audit Results Report

4. The conclusions from the audit engagement are contained in the Audit Results Report, issued on 9th January, which is attached as Appendix A.
5. Members are asked to consider the Audit Results Report and note its contents. The report has been reviewed by senior management who are in agreement with its contents. Neil Harris, Associate Partner at Ernst & Young, will present the report to the committee and will answer questions from members.
6. Their report confirms that External Audit expect to issue an unqualified audit opinion on the financial statements, and that they have no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Letter of Representation

7. The Letter of Representation is a document issued by the Council to the External Auditor, in which the Council's management declare that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements. Members are asked to approve this letter, attached as Appendix B.

Statement of Accounts and Annual Governance Statement

8. The final version of the Statement of Account is attached as Appendix C. This includes the adjusted differences referred to in section 6 of Appendix A. Members are asked to approve the signing of these accounts by the Chair of the Committee and the Director of Corporate Resources.
9. Appendix C also contains the Annual Governance Statement (AGS), which sets out the governance framework in place within the Council to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, accounted for and used properly.
10. The 2018/19 AGS was approved by this committee on 29th July 2019 and was signed by the Leader of the Council and the Interim Chief Executive. External Audit have subsequently confirmed that it is consistent with other information obtained by them from their audit of the financial statements. The AGS has been included within this report as it is customary to publish it alongside the Statement of Accounts.

Audit differences

11. Pages 22 and 23 of the Audit Results Report (Appendix A) sets out the audit differences, i.e. misstatements in the Statement of Accounts.
12. The most significant of these relates to the valuation of one of the investment properties purchased by SAIL. The external auditor consider that this property was over-valued in the unaudited Statement of Accounts by £1.255m. The Council have agreed to reduce the valuation of this property by £1.013m following discussion with the property valuers. This is shown on page 22 of the Audit Results Report as an adjusted difference. The balance of £0.242m is reported on page 23 of the Audit Results Report as an unadjusted difference.
13. There are several other differences listed on page 22. These include reducing the *increase/decrease in debtors* line on the group cash flow by £13.562m, and reducing the *increase/decrease in creditors* line by the same amount (this represents the funds that SAIL has borrowed from the Council).
14. None of these differences have impacted the General Fund balance,
15. There is also one other immaterial unadjusted difference on page 23, value £0.086m.

Reasons for Recommendation

16. To enable the Council to conclude the Statement of Accounts process for 2018/19

Consultation

17. No consultation was required for this report.

References to Corporate Plan

18. Good financial management underpins all priorities within the Corporate Plan.

Implications

Financial Implications

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19. No differences have impacted the General Fund or Housing Revenue Account balances following the completion of the Audit.
20. As part of the Audit Results Report (Appendix A), Ernst & Young have reported the Fee analysis on Page 41. The planned fee for 2018/19 on Code work is reported at £64,865 which the Council is invoiced in quarterly installments.
21. Ernst & Young have advised they have undertaken additional work in relation to changes in scope on group accounting, valuation of investment properties PPE valuations and significant risks to the Council's Value for Money (VFM) conclusion. They are not in a position to quantify the proposed fee variation and will be supplying the Direct of Corporate Resources with a breakdown during February 2020.

Legal Implications

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

Economic Implications

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23. There are no direct Economic Implications arising from this report

Appendices to this report

Appendix A: Audit Results Report

Appendix B: Letter of Representation

Appendix C: Statement of Accounts 2018/19