

<b>Committee(s):</b> Audit and Scrutiny Committee	<b>Date:</b> 24 <sup>th</sup> November 2020
<b>Subject:</b> Audit Results Statement of Accounts 2019/20	<b>Wards Affected:</b> All
<b>Report of:</b> Jacqueline Van Mellaerts, Director of Corporate Resources	<b>Public</b>
<b>Report Author/s:</b> Name: Margaret Donaldson, Interim Head of Corporate Telephone: 01277 312500 E-mail: <a href="mailto:margaret.donaldson@brentwood.gov.uk">margaret.donaldson@brentwood.gov.uk</a>  Name: Alistair Greer, Principal Accountant Telephone: 01277 312500 E-mail: <a href="mailto:alistair.greer@brentwood.gov.uk">alistair.greer@brentwood.gov.uk</a>	<b>For Decision</b>

### Summary

The Council's External Auditors, Ernst & Young LLP have substantially completed their audit of the Council's Statement of Accounts for 2019/20. This report presents their conclusions and a revised draft of the Financial Statements.

External Audit propose to issue an unqualified audit opinion for the Statement of Accounts 2019/20. No opinion on the value for money conclusion has been issued to date as work is still in progress.

### Recommendation(s)

**Members are asked to:**

- R1.** Consider the Audit Results Report 2019/20 in Appendix A and note the conclusions contained in it.
- R2.** Consider the Letter of Representation in Appendix B and delegate authority to the Section 151 Officer in consultation with the Chair of Audit & Scrutiny to approve and sign the letter upon conclusion of the Audit.
- R3.** Delegate to the Section 151 Officer in consultation with the Chair of Audit & Scrutiny the final approval of the Statement of Accounts for 2019/20, on completion of the final elements of the audit.

## **Main Report**

### **Introduction and Background**

1. The Council's unaudited Statement of Accounts were presented to this committee on 28th July 2020, one month ahead of the revised statutory deadline of 31<sup>st</sup> August 2020. The Accounts include the Council's Group Accounts, reporting the consolidated position of the Council with Seven Arches Investments Ltd (SAIL).
2. The External Auditors commenced their audit engagement on 21<sup>st</sup> September 2020. The audit has progressed well, with weekly catch up meetings between EY and the Corporate Finance team enabling work to be focused and facilitating prompt response between the teams. All audit queries have been collated through one point of contact in the Corporate Finance Team which has enabled finance and operational council staff to focus on other work streams and the co-ordination of responses to EY to be effective.
3. The auditors have now substantially completed this work; any outstanding areas for review are detailed in the EY report attached at Appendix A, and focuses on the Council's substantiation of 'Going Concern'.
4. Neil Harris, Associate Partner for EY will present the report of audit findings.

### **Issue, Options and Analysis of Options**

#### **Audit Results Report**

5. The conclusions from the audit engagement are contained in the Audit Results Report, issued on 18<sup>th</sup> November, which is attached as Appendix A.
6. 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.
7. Their report confirms that External Audit expect to issue an unqualified audit opinion on the financial statements, and that to date they have no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The finalisation of the VfM opinion will be completed on review of the 'Going Concern' audit work.

## Letter of Representation

8. 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 consider the letter attached at Appendix B, and award delegated authority to the section 151 officer to approve the letter upon conclusion of the audit.

## Statement of Accounts and Annual Governance Statement

9. The updated draft Statement of Account is attached as Appendix C. This includes any recommendations management has agreed with the auditors. The adjusted differences referred to in section 4 – Audit Differences of Appendix A. The auditors have identified two unadjusted differences which are not included in the Accounts:
  - i. *Pensions* - this relates to the outcome of the audit of Essex County Council Pension Fund and the subsequent impact on the Council's Accounts. Management has consulted with ECC Pensions, since those Accounts will not be adjusted; management has decided not to adjust the Council's accounts.
  - ii. *Collection Fund Provision for Appeals* – this relates to a difference in judgement on the level of the business rates appeals provision. Management are of the opinion that insufficient appeals history is available on the business rates 'Check and Challenge' process and are aware of the finalisation of legal challenge on ATM machines; that it would not be prudent to reduce the level of appeals at this time. The level of business rates appeals is monitored quarterly as part of the financial management of the collection fund.
10. 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.
11. The 2019/20 AGS was approved by this committee on 28<sup>th</sup> July 2020 and was signed by the Leader of the Council and the Chief Executive. In line with External audit's recommendation an additional paragraph and actions have been added in relation to the governance arrangements for organisations within the Council's Group Boundary, current SAIL. The AGS has been included within this report as it is customary to publish it alongside the Statement of Accounts.

## **Reasons for Recommendation**

10. To enable the Council to conclude the Statement of Accounts process for 2019/20, which has a statutory deadline of 30<sup>th</sup> November 2020.

## **Consultation**

11. None.

## **References to Corporate Plan**

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

## **Implications**

### **Financial Implications**

**Name/Title: Jacqueline Van Mellaerts, Director of Corporate Resources**

**Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk**

None of the differences have impacted the General Fund or Housing Revenue Account Outturn for 2019/20 or working balances/earmarked reserves following the completion of the Audit.

1. As part of the Audit Results Report (Appendix A), Ernst & Young have reported the Fee analysis on Page 39.
2. Ernst & Young have advised they have undertaken additional work in relation to changes in scope on the audit as a result of COVID-19, going concern and associated risks; and the review of the Council's valuers opinion of 'material uncertainty' in relation to the year-end valuation material changes report commissioned by the Council to ensure assets reflect fair value as at 31<sup>st</sup> March 2020.
3. At the start of January 2021, the finance team will take on board any audit changes and recommendations, as well as any technical accounting updates and begin to prepare for the drafting of the 2020/21 Accounts.

## **Legal Implications**

**Name & Title: Amanda Julian, Director of Law and Governance & Monitoring Officer**

**Tel & Email: 01277 312500/Amanda.julian@brentwood.gov.uk**

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

**Economic Implications**

**Name/Title: Phil Drane, Director of Planning and Economy**

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There are no direct economic implications from this report.

**Background Papers**

None

**Appendices to this report**

Appendix A: Audit Results Report 2019/20

Appendix B: Letter of Representation

Appendix C: Statement of Accounts 2019/20