

**Annual Accounts 2019/20**

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Ellie Dunnet, Head of Finance
<b>Lead Officer and Report Author</b>	Paul Holland, Senior Finance Manager (Client)
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

This report sets out the findings of the external auditor's work on the 2019/20 financial statements audit and value for money conclusion, and requests that the Committee approves the 2019/20 financial statements.

We understand that the external auditor is intending to issue an unqualified audit opinion and value for money conclusion. However, it is anticipated that the opinion for this year will include an Emphasis of Matter paragraph, highlighting property valuation material uncertainties for both the Council property and their share of assets included in the IAS 19 pension fund actuarial position. A representative from the external audit team will be in attendance at the meeting to present the audit findings and respond to any questions the Committee may have.

**Purpose of Report**

The Committee is asked to note the external auditor's audit findings report at Appendix 1, and to approve the final 2019/20 statement of accounts (Appendix 2) and Letter of Representation (Appendix 3).

**This report makes the following recommendations to this Committee:**

1. That the external auditor's Audit Findings Report, attached at Appendix 1 is noted.
2. That the audited Statement of Accounts attached at Appendix 2 is approved.
3. That the Letter of Representation attached at Appendix 3 is approved.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	29 July 2020

# Accounts 2019/20

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.	Director of Finance and Business Improvement
<b>Cross Cutting Objectives</b>	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance and Business Improvement
<b>Risk Management</b>	This is detailed within section 5.	Director of Finance and Business Improvement
<b>Financial</b>	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2020, and details the council's assets, liabilities and reserves at this date.	Director of Finance and Business Improvement
<b>Staffing</b>	No implications identified.	Director of Finance and Business Improvement
<b>Legal</b>	No implications identified.	Director of Finance and Business Improvement
<b>Privacy and Data Protection</b>	No implications identified.	Director of Finance and Business Improvement
<b>Equalities</b>	No implications identified.	Director of Finance and Business Improvement
<b>Public</b>	No implications identified.	Director of

<b>Health</b>		Finance and Business Improvement
<b>Crime and Disorder</b>	No implications identified.	
<b>Procurement</b>	No implications identified.	Director of Finance and Business Improvement

## 2. INTRODUCTION AND BACKGROUND

2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance and Standards Committee by 30 November 2020 in accordance with the amended Accounts & Audit Regulations.

2.2 The Statement of Accounts consists of:

**Narrative Report** – this summarises the Council’s performance over the financial year 2019/20 and highlights the most significant elements of the financial statements.

**Comprehensive Income and Expenditure Statement (CIES)** – shows the accounting position of the council, and whether operations have resulted in a net surplus or deficit. The accounting position includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

**Movement in Reserves Statement** – this is a financial statement which details the balances the council held in reserves at 31 March 20, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

**Balance Sheet** – this can be seen as a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31 March 2020.

**Cash Flow Statement** – sets out the authority's cash receipts and payments during the year, and analyses them into operating, investing and financing activities.

**Accounting Policies and Supporting Notes** – additional information provided to add context to the numbers presented in the main financial statements, and details judgements made by management in preparing this information.

**Collection Fund Statement** – this sets out income and expenditure in relation to Council Tax and Business Rates, and represents the position of the Council's role as a billing authority in collection revenue on behalf of other bodies.

- 2.3 The council's financial statements must comply with CIPFA's Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements.
- 2.4 Due to the impact of the Covid-19 pandemic on local authorities the Government amended the deadlines for the publication and approval of the accounts. The date for publication was amended from 31 May 2020 to 31 August 2020, and the date for formal approval amended from 31 July 2020 to 30 November 2020.
- 2.5 However, the decision was taken to seek approval at this Committee as this will enable a greater focus on the upcoming budget cycle which will take on more significance than usual given the financial pressures that the Council will now need to address.
- 2.6 The audited version of the Statement proposed for approval at this meeting is attached at Appendix 2.
- 2.7 The headline messages from the Statement of Accounts can be summarised as follows:
- There has been a significant increase in the value of Property, Plant & Equipment held on the Balance Sheet following the acquisition of the Lockmeadow Entertainment Complex. This is also reflected in the increase in unusable reserves.
  - In relation to the above acquisition, the Council entered into a borrowing position during 2019/20, which is reflected in short term borrowing of £11m shown on the balance sheet.
  - Short term creditors have increased by £10m, which reflects an increase in Section 106 monies received from developers that will be passed onto other organisations, primarily Kent County Council and the NHS, and an increase in the amounts payable to central government under the collection fund arrangements for business rates.
  - The accounts show that the balance of usable reserves has increased by £1.5m to £17.2m at the end of 2019/20 which arises from an increase in balances held within earmarked reserves.
- 2.8 The Statement of Accounts attached at Appendix 2 reflect changes that were identified during the course of the audit, and also incorporates

suggestions made by members during the briefing session held in July.

- 2.9 A small number of suggestions to improve the presentation and clarity of the accounts were made by the external auditor and have been taken on board by officers. These were mainly to deal with rounding and consistency issues, and clarifying the new requirements around IFRS 15 which deals with recognition of revenue income.
- 2.10 External audit work is now substantially complete, and findings will be summarised within the Audit Findings Report.

### **Letter of Representation**

- 2.11 The Letter of Representation attached at Appendix 3 is written from the Council to the external auditor and will be signed by the Director of Finance and Business Improvement and the Audit, Governance and Standards Committee Chair. Highlighted sections of this letter will be updated on conclusion of the auditor's work, prior to the opinion being issued.
- 2.12 This is provided for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.
- 2.13 The letter confirms that the Council has fulfilled its responsibilities and provided the external auditor with access to all information of relevance to the financial statements audit including records, documentation and other matters.
- 2.14 The letter also confirms that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. The appropriateness of this statement is evidenced by the fact that all services have full revenue budget provision for 2020/21 onwards and the capital programme, asset management plan and medium term financial strategy for 2020/21 onwards consider only service efficiencies and growth in corporate or service objectives.

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### **3. AVAILABLE OPTIONS**

- 3.1 The recommendation being made to the Committee is to approve the Statement of Accounts for 2019/20, taking into consideration the work of the external auditor.
- 3.2 If the Committee chose not to approve the Statement of Accounts, this would result in the Council failing to meet its statutory responsibilities under the Accounts and Audit Regulations.

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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

4.1 The formal approval of the Statement of Accounts is a statutory requirement. The draft opinion of the external auditor is provided within Appendix 2 and concludes that the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

4.2 On this basis, it is considered appropriate for the Committee to approve the audit Statement of Accounts for 2019/20.

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## **5. RISK**

5.1 Failure to meet the statutory deadline for production and audit of the annual accounts would result in this being highlighted in Public Sector Audit Appointments Limited's report on the results of auditors' work. The impact of this risk materialising would have largely reputational repercussions for the Council, and would limit the Council's capacity to demonstrate accountability and value for money in its use of public funds. This risk has been considered with reference to the Council's risk management framework, and is considered to be within acceptable levels.

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## **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this have been published on the Council's website and the statutory period ends on 17 August. To date, no enquiries have been received in relation to this.

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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 The external auditor is required to issue the audit opinion by 30 November.

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## **8. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix 1: External Auditor's Audit Findings Report
  - Appendix 2: Audited Statement of Accounts 2019/20
  - Appendix 3: Letter of Representation
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## **9. BACKGROUND PAPERS**

None