

# AUDIT COMMITTEE

## Statement of Accounts 2019/20 & 2020/21 Update 9 June 2021

### Report of Chief Finance Officer

#### PURPOSE OF REPORT

To provide the Committee with an updated position regarding the conclusion of the 2019/20 audit of the Statement of Accounts and details of progress in the preparation of the Statement of Accounts for the year ended 31st March 2021.

**This report is public.**

#### RECOMMENDATIONS

The Audit Committee is recommended to note the progress in the following areas

1. The audit of the Statement of Accounts for the year ended 31st March 2020 and the matters arising to date.
2. The preparation of the Statement of Accounts for the year ended 31st March 2021.

#### 1.0 INTRODUCTION

1.1 Members will recall the requirements and timelines for the approval of a Local Authority's Statement of Accounts have changed. Having considered the impact of the COVID-19 pandemic and in consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015.

#### Publication & Amendments Effecting 2019/20 Statement of Accounts

1.2 In accordance with the amended Regulations, the draft Accounts were required to be published on the Council's website and submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit was 30 November 2020 rather than 31 July 2020.

#### Publication & Amendments Effecting 2020/21 Statement of Accounts

1.3 Published on the Council's website and submitted for audit by 31 July 2021 rather than 31 May 2020 and the timeline for the conclusion of the audit 30 September 2020 rather than 31 July 2020.

## **2.0 2019/20 STATEMENT OF ACCOUNTS UPDATED POSITION**

### **Publication**

- 2.1 The draft Statement of Accounts 2019/20 were published on the Council's external website on 28 August 2020, ahead of the required deadline. Although Members previously received notification of publication and a PDF version of the draft financial statements they can be viewed via the attached link <https://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

### **Member Training**

- 2.2 Training on the statement of accounts was provided in 2 sessions. The first session 27 August introduced the financial reporting framework, the roles of the Chief Finance Officer, those Charged with Governance and the External Auditor and the key elements of the financial statements. The second session 25 November 2020 delivered more detailed training focusing on the interlinkages between the various statements and their supporting notes, also significant balances, accounting adjustments and policies as well financial performance.

### **External Audit**

- 2.3 Due to the COVID-19 pandemic the initial planning audit was halted mid-March 2020 as the Audit Team were forced to withdraw from the Town Hall in line with Government advice and Council staff were diverted to support other areas. Audit planning and preliminary statement of accounts testing resumed in December but was halted in January and February 2021 to allow officers to focus on delivering the Council's budgets. Audit work has progressed throughout March and April but is currently on hold whilst the External Auditors apply resources to deliver their NHS commitments.

## **3.0 MATTERS ARISING**

- 3.1 Although not fully concluded the audit is substantially complete and at the time of writing this report the following material issues has been raised by the External Auditor.

### **Audit Adjustments**

#### **Walney Substation Backdated Income £1.727M**

- 3.2 Council's are allowed to retain 100% of business rates income from renewable energy projects for which they grant planning permission. Following external advice and review Walney Substation was classified as a renewable energy project providing Business Rates receipts of £2.085M. Following the closure of the financial statements the Council was notified of backdated income totalling £1.727M for the period 8 February 2018 to 31 March 2019. Officers brought this adjustment to the attention of the External Auditors and the appropriate accounting adjustments made.

#### **Valuation of Giant Axe Stadium (£2.3M reduced to £3,600)**

- 3.3 The Council engages its Property Services Team to undertake all its property valuations, with the External Auditors employing their own valuer to review on a sample basis. The Giant Axe Stadium was initially valued at £2.3M using the Depreciated Replacement Cost (DRC) methodology which considers the cost of replacing various aspects of the site such as the stadium, pavilion and changing rooms. The auditors view is that a more suitable methodology would be the capitalised income model based on the rental income. Given the nominal level of rent received the revised valuation is £3,600.

- 3.4 We are currently reviewing a small number of similar assets however, given the uniqueness of this asset this is expected to be an isolated issue.

- 3.5 Both of the above issues are above the External Auditors materiality threshold, and the final accounts have been adjusted to reflect them. International Auditing Standard 260 (ISA 260) requires our External Auditors report their findings from the audit directly to Members and will contain information on all adjusted and non-adjusted amounts raised during the course of the audit. It is hoped this report will be presented to the next meeting of the Audit Committee, and at that time the Committee will be asked to approve the audited accounts.

#### **Objection to the 2019/20 Financial Statements**

- 3.6 The External Auditor received notification of a formal objection to items contained within the 2019/20 Financial Statements. The External Auditor has now considered the objection in accordance with the National Audit Office's Audit Guidance Note 4 and has formally written to the objector stating his grounds for not considering the objection.
- 3.7 Committee Members should be aware that the 2019/20 Audit Fee (£44,959) does not contain an amount for dealing with objections and so the associated costs will be borne by the Council. Current estimates are an additional cost to the Council of c£12K.

#### **4.0 VALUE FOR MONEY OPINION**

- 4.1 Although a couple of minor items remain outstanding no significant issues have been raised with Officers and we expect the external auditor to issue an unqualified opinion.

#### **5.0 2020/21 STATEMENT OF ACCOUNTS POSITION**

- 5.1 At the time of writing this report, the draft 2020/21 Statement of Accounts are still being compiled. Once finalised it is intended that they will be published on the Council's website by 31 July 2021 and a link sent to all Council Members, with paper copies being made available on request.
- 5.2 As noted previously the deadline for publication of audited accounts has been revised to 30 September 2021. As a result, during the period August to September, our external auditors, Deloitte, should conduct an audit of the accounts. Although both officers and audit staff will work to ensure the deadline is achieved this short time frame will provide a challenge

#### **6.0 OPTIONS AND OPTIONS ANALYSIS**

- 6.1 As the report is for noting no alternative options are put forward, but the Committee could make supplementary recommendations regarding any matters arising.

#### **7.0 CONCLUSION**

- 7.1 Members should note the progress and matters arising to date.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):**

No implications directly arising.

#### **LEGAL IMPLICATIONS**

S27 of the Local Audit and Accountability Act 2014 makes provision for an elector of the

Council's area to make an objection to the local auditor in respect of the grounds set out at paragraph 3.4 of this Report. On receipt of an objection the local auditor must decide (a) whether to consider the objection, and (b) if the auditor does so, whether to take action within paragraph (a) and (b) of s27(1) in response.

In considering any objection, the auditor will need to have regard to the provisions of the 2014 Act and the code of audit practice applicable to the Council. The Local auditor must in carrying out functions under the 2014 Act, have regard to guidance issued by the Comptroller and Auditor General under paragraph 9 of Schedule 6 of the 2014 Act. This includes the Auditor Guidance Note 4.

An objector aggrieved by a decision of a local auditor not to consider the objection or not to apply for a declaration under s28 of the 2014 Act may within 6 weeks from notification of the decision require the auditor to provide written reasons for the decision and within 21 days from receipt of the written reasons may appeal against the decision to the court.

#### **FINANCIAL IMPLICATIONS**

There are no financial implication flowing directly from this report.

However, Member's should be aware of the addition audit fee's that may accrue because of the objection to the financial statements.

#### **OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces**

No implications directly arising.

#### **SECTION 151 OFFICER'S COMMENTS**

This report forms part of the Chief Finance Officer's responsibilities, under his role as s151 Officer.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

#### **BACKGROUND PAPERS**

27 August 2020

<https://committeeadmin.lancaster.gov.uk/documents/s77442/Statement%20of%20Accounts%202019-20%20Final.pdf>

Statement of Accounts 2019/20

<http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

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