

<b>Item No.</b> 10 and 11	<b>Classification:</b> Open	<b>Date:</b> 20 September 2021	<b>Meeting Name:</b> Audit, governance and standards committee
<b>Report title:</b>		2020-21 Statement of Accounts including the Pension Fund and Audit findings reports (ISA 260)	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATION

1. That the audit, governance and standards committee:
  - a) consider the matters raised in Grant Thornton's audit findings report for 2020-21 (appendix A) before approval of the council's main accounts
  - b) note the adjustments to the main accounts as set out in page 29 of the audit findings report (appendix A)
  - c) approve the council's letter of representation (appendix A page 38)
  - d) consider the matters raised in the Pension Fund audit findings report 2020-21 (appendix B) prior to approval of the Pension Fund accounts
  - e) note the adjustments to the Pension Fund accounts as set out in page 17 of the audit findings report
  - f) approve the Pension Fund letter of representation (appendix B page 23)
  - g) approve the Statement of Accounts 2020-21 (appendix C), subject to any final changes required by the conclusion of the audit, being delegated to the strategic director of finance and governance in consultation with the chair of audit, governance and standards committee.

## BACKGROUND INFORMATION

2. As the council's appointed external auditor, Grant Thornton is required under the statutory Code of Audit Practice for Local Government Bodies to issue reports to those charged with governance summarising the conclusions of the audit work. The audit, governance and standards committee is the council's constitutional body for receiving these reports

and needs to consider the auditor's reports before approving the accounts.

3. There are separate audit findings reports from the auditor for the main accounts and the Pension Fund accounts due to the separate audits for both areas.
4. The auditor is required by professional auditing standards to report to the committee certain matters before giving their opinion on the financial statements.
5. In addition to reporting on the financial statements, the auditor reports on any circumstances where they suspect or detect fraud and on whether, in their view, the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
6. The principal purposes of the reports are to:
  - reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the audit, governance and standards committee;
  - share information to assist both the auditor and the committee to fulfil their respective responsibilities;
  - provide the committee with recommendations for improvement arising from the audit process.
7. Before the auditor issues their formal opinion, they will require letters of representations to be provided by the council. The draft letters, relating to each of the main accounts and pension fund accounts, are included within appendices A and B respectively. The final letters, once approved by this committee, will be signed by the strategic director of finance and governance on behalf of the council.

## **KEY ISSUES FOR CONSIDERATION**

### **Audit opinion**

8. The auditor has substantially completed the audit of the financial statements and, subject to outstanding queries being resolved, anticipates issuing unqualified opinions on both the main accounts and the Pension Fund. Due to some sickness challenges in the Grant Thornton audit team, the audit will continue beyond the September deadline with the auditor hopeful of completing their work by the middle of October.
9. The purpose of Grant Thornton's Audit Findings Reports (AFR) is to detail their findings and matters arising during the course of auditing the financial statements. The auditors will provide an update on any outstanding audit items during the presentation of their findings to this committee
10. For 2020-21 there is a revised approach to the Value for Money audit.

The main changes include a new set of key criteria covering financial sustainability, governance and improvements in economy, efficiency and effectiveness. The outcome of the auditor's VFM work will be reported in the auditor's annual report which is expected to be issued in mid January, in line with the National Audit Office's revised deadline.

11. Grant Thornton have commented on the good quality of the pre-audit statement of accounts 2020-21 including the Pension Fund, which the council were able to deliver on 8 July 2021, prior to the deadline of 31 July 2021. The audit has been complicated this year due to the challenges of remote working, "raising the bar" audit standards being elevated with more rigorous sample testing and a "hot review" from Grant Thornton's technical accounting specialists examining all aspects of the accounts (the hot review cycle is every three years). Again this year there has been an excellent working relationship between Grant Thornton and the council contributing to the successful audit.
12. There are currently no areas of dispute between the council and the auditors and no unadjusted misstatements. There will be a further quality assurance review of the accounts by the finance team before Grant Thornton's final review of the financial statements and publication of the Final 2020-21 Statement of Accounts on the council's website.
13. No objections to the draft 2020-21 accounts were received at the end of the public inspection of accounts period on 20 August 2021. All public inspection queries raised were responded to within the deadlines.
14. The 2019-20 objection to the accounts has been thoroughly investigated by the council and information requested by our auditors has been provided in full. Until the objection is completely resolved, the council will not be able to issue a notice of conclusion of the audit.

### **Letters of representation**

15. The proposed letters of representation for the main council statements and the pension fund are set out in appendices A and B respectively. The auditor has asked for a number of representations to be given, and there are no reservations in being able to give these representations.

### **Community impact statement**

16. This report and the accompanying statement of accounts are not considered to have a direct impact on local people and communities.

### **Resource implications**

17. There are no direct resource implications arising from this report.

### **Consultation**

18. Consultation on the accounts is carried out through public inspection. The accounts were open for public inspection from 9 July 2021 until 20 August 2021. The audit findings reports are key documents in assessing the council's progress and plans for the future, such as through the council's policy and resources strategy. The final report will be published on the council's website.

#### **Reasons for lateness**

19. The audit of the accounts is ongoing up to the date of receipt of the audit opinion. The audit findings reports were received close to the deadline for the dispatch of the audit, governance and standards committee agenda.

#### **Reasons for urgency**

20. The Accounts and Audit Regulations 2015 require the council to approve the accounts by 31 July each year. However, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021<sup>1</sup> revised the statutory deadline from 30 November for 2019-20 to 30 September for 2020-21.

#### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

21. None required.

#### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Statement of accounts files	Finance and Governance, Second Floor, Tooley Street	Jade Cheung 07592 115556

#### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A	Grant Thornton - Council Audit Findings Report 2020-21
Appendix B	Grant Thornton - Pension Fund Audit Findings Report 2020-21
Appendix C	Statement of Accounts 2020-21

<sup>1</sup> <https://www.slcc.co.uk/the-accounts-and-audit-amendment-regulations-2021/>

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Jade Cheung, Accountant Rob Woollatt, Interim Departmental Finance Manager	
<b>Version</b>	Final	
<b>Dated</b>	17 September 2021	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Democracy	No	N/A
Strategic Director of Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>	17 September 2021	