

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 10 June 2020	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		2019-20 Grant Thornton report on informing the audit risk assessment and draft statement of accounts	
<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 note the management responses to Grant Thornton's inquiries in respect to the audit risk assessment for Southwark Council and the Pension Fund (appendix 1) and considers whether these responses are consistent with its understanding, and whether there are any further comments it wishes to make
2. That the audit, governance and standards committee considers the draft statement of accounts for 2019-20 (appendix 2)

## BACKGROUND INFORMATION

3. To comply with International Auditing Standards, Grant Thornton, the council's external auditor, must establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with laws and regulation. They are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements for, example use of estimates and the concept of going concern. Appendix 1 includes a series of questions from Grant Thornton and the response they have received from the council's management.
4. The publication of the statement of accounts is an essential feature of public accountability and stewardship as it provides an annual report on how the council has used the public funds for which it is responsible. The closing of accounts is also important for financial management since it confirms the availability of reserves and balances for future use.
5. The accounts are subject to external audit. The auditors, Grant Thornton, are required to satisfy themselves that the council's accounts comply with statutory requirements and that they have been compiled according to proper practices. In addition they are also required to conclude as to whether the council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources.
6. Under the constitution, the audit, governance and standards committee is the body that formally receives and approves the annual accounts. The audited accounts together with the external auditors report on the accounts are scheduled to be presented to the audit, governance and standards committee at their meeting in September 2020.

7. In response to the Covid-19 pandemic, the Government approved amendments to the statutory timetable for publishing and auditing the accounts.

## **KEY ISSUES FOR CONSIDERATION**

8. The Accounts and Audit Regulations 2015 brought forward the statutory deadline for having the draft accounts available for audit and also reduced the time available for auditors to complete their assurance work. From 2017-18 onwards, local authorities are required to approve their final audited accounts by 31 July each year. The regulations also require the draft accounts to be reviewed by the council's responsible financial officer (the Strategic Director of Finance and Governance) by 31 May, and for those accounts to be published for public inspection by no later than the first working day of June.
9. Under the 2015 regulations, the accounts are required to present a true and fair view of the financial position of the council and comply with 'proper accounting practices'. The Local Government Act specifies the Chartered Institute of Public Finance Accountants (the CIPFA) Code of Practice on local authority accounting as representing proper accounting practices for this purpose.
10. In response to the Covid-19 pandemic, the government approved an extended timetable for publishing and auditing the accounts. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have changed the accounting timetable, extending the statutory deadline for the draft account to 31 August 2020 and the final audited accounts to 30 November 2020.
11. Despite the flexibility, the Strategic Director of Finance and Governance was of the view that it was more important to complete the draft accounts in accordance with the original timetable and plan in order to finalise the financial position at 31 March 2020 and that staff resources could move on to focus on other priority activities.
12. It is therefore very pleasing that, despite the more challenging working arrangements under 'lockdown', redirection of staff to support services directly involved on Covid-19 activities and consideration of the financial reporting issues arising from the pandemic, that the council has been able to produce its draft accounts in accordance with the CIPFA Code and in line with the original plan. The draft accounts were approved by the Strategic Director of Finance and Governance on 31 May 2020 and published on the council's website alongside the Annual Governance Statement.
13. It is currently expected that the audit of the accounts will be completed by the end of August, with the accounts and annual governance statement presented to the committee for approval in September.
14. The external audit of the draft accounts is expected to commence before the end of June.
15. The audited accounts, together with the external auditors report, are expected to be presented to members at their September meeting for scrutiny and approval. The draft accounts are presented to members now to inform and enable early scrutiny of the key figures ahead of the September meeting.

## **Community Impact Statement**

16. This report and the accompanying accounts are not considered to have a direct

impact on local people and communities. However, good financial management arrangements are important to the delivery of local services and to the achievement of outcomes.

### **Resource implications**

17. There are no direct resource implications in this report.

### **Consultation**

18. Consultation on the accounts is carried out through public inspection. The accounts are open for public inspection from 1 June 2020 until 10 July 2020.

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

19. None required.

### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Finance and Governance files	Finance and Governance, Second Floor, Tooley Street	Rob Woollatt 020 7525 0614

### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Grant Thornton Report, informing the audit risk assessment for Southwark Council and the Pension Fund
Appendix 2	Draft 2019-20 Statement of Accounts for Southwark Council and the Pension Fund

### **AUDIT TRAIL**

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Rob Woollatt, Interim Departmental Finance Manager	
<b>Version</b>	Final	
<b>Dated</b>	1 June 2020	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	No	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	2 June 2020	