

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**AUDITED ACCOUNTS 2019/2020**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 The council's unaudited accounts were approved by the Director Governance and Partnerships on 3 July 2020. This met the statutory requirement that they be approved by 31 August 2020.
- 1.2 The accounts have since been audited and the external auditors have set out their findings in their audit completion report. This committee now needs to consider the proposed amendments and approve the changes to the accounts that result from it. It is a statutory requirement that this process concludes by 30 November 2020.
- 1.3 It is expected that the council's external auditors will issue an unqualified opinion on the accounts, but due to the current Covid-19 pandemic, there will be an Emphasis of Matter paragraph to draw the reader's attention to the fact there may be material uncertainty in relation to the valuation of land and buildings, investment properties and property investments within the pension fund valuation.

**2. BACKGROUND INFORMATION**

- 2.1. The Accounts and Audit Regulations 2015 (England) require the Council to publish a statement of accounts each financial year. These accounts are the formal statement of the Council's financial performance for the year and its financial position at the end of that period. A financial year runs from April to March.
- 2.2. The legislation relating to the timescale for the production and audit of the accounts was amended for the 2019/2020 financial year due to the Coronavirus Pandemic. These changes were incorporated into the Accounts and Audit (Coronavirus) Amendments Regulation 2020 (SI 2020/404).
- 2.3. The production of the draft accounts deadline moved from 31 May to 31 August 2020. The audit completion date moved from 31 July to 30 November 2020.
- 2.4. The council's unaudited accounts were approved by the Director Governance and Partnerships on 3 July 2020. This met the statutory requirement that they be approved by 31 August 2020.

- 2.5. The International Standard on Auditing 260 – ‘The Auditor's Communication with Those Charged with Governance (ISA 260)’ requires auditors to report certain matters arising from the audit of the council’s financial statements before giving an opinion on them.
- 2.6. The report from the council’s Auditors (Mazars) is attached. It sets out the matters arising from the audit of the council’s 2019/2020 accounts. Staff from Mazars will present the report to Committee. A copy of the amended accounts is included with this report.

### **Main Findings within the report**

- 2.7. It is expected that an unqualified opinion on the council’s accounts with an Emphasis of Matter paragraph included in relation to uncertainty around valuations.
- 2.8. It is expected that an unqualified opinion on the council’s arrangements for securing Value for Money will be issued.
- 2.9. In relation to internal controls the report recommends that:
- a check is put in place to ensure the Pensionable pay figure within the annual actuarial report is checked to ensure it is the same as the figure provided
  - valuation certificates include arithmetic checks to ensure they are accurate
  - a comparison of new Property, Plant and Equipment valuations to net book values plus in-year depreciation takes place at year-end
  - the sample checks that are undertaken of authorised signatories on creditor invoices are documented

A manager’s response has been provided for each of these areas and processes will be put in place to prevent them from occurring in the future.

- 2.10. 1 unadjusted misstatement was identified in relation to the Cash Flow statement
- The cash flow statement included a balancing figure of £311k within the working papers.

The value was investigated but it was decided that no adjustment would be made within the financial statements.

- 2.11. 1 Adjusted misstatement was identified in relation to the defined benefit liability valuation.
- The pensionable pay figure was incorrect within the actuary’s report

A revised actuary report has been received and the figures have been worked through the statement of accounts attached to this report. It is unclear why the actuary did not use the figures we had provided to them.

2.12. 5 disclosure amendments were identified:

- Cash Flow Statement – a small transposition error had occurred
- Note 18 Financial Instruments – Non-contractual obligations were taken out of the creditors figure (eg. NNDR, Council Tax, National Insurance).
- Note 31 Officers' Remuneration, Exit Packages – One payment for lieu in notice was omitted in error and a difference between an estimated and actual amount paid was updated.
- Note 32 External Audit Costs – updated to include the fee for the work on Teachers' Pension Return for the 2019/2020 at the request of the auditors.
- Note 31 Officers' Remuneration, Over £50k table – prior to the audit starting this table was amended to split the total between Teachers and Other Staff. As it is a change to the signed draft accounts it has been noted here as a change.

2.13. 1 Unadjusted disclosure amendments:

- Due to the error found on the Exit Packages disclosure, the known error was extrapolated and projected an understatement of £22k. This is a projected error only and has not been amended for with the statement of accounts.

2.14. International Standard on Auditing 580 'Management Representations' requires auditors to obtain written confirmations of appropriate representations from management before the audit report is issued. A proposed letter of representation is attached, which the Committee is asked to approve and authorise the Chair of the Audit Committee and the Director Governance and Partnerships to sign.

2.15. Additionally, IAS 570 requires a specific statement on the applicability of the 'Going Concern' concept to the council. The accounts have been prepared on a going concern basis. A review of the applicability of the concept to the council can be seen in a separate report to this Committee.

### **3. OPTIONS FOR CONSIDERATION**

3.1. The Statement of Accounts for 2019/2020 be received and approved.

3.2. That the Committee considers the Auditor's Audit Completion Report (ISA 260) report and note its findings.

3.3. The Audit Committee are also invited to endorse the signing of the Letter of Representation.

3.4. Delegate approval to the Chair and the Director Governance and Partnerships to approve the audited set of accounts on behalf of the Audit Committee following the completion of all audit work.

**4. ANALYSIS OF OPTIONS**

- 4.1. Statutorily the accounts must be approved by the 30 November 2020. The Committee should ask sufficient questions to gain assurance that the draft accounts present fairly the financial position of the council.

**5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**

- 5.1 The accounts present the council's financial position as at 31 March 2020.

**6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

- 6.1 The Accounts and Audit Regulations 2015 (England), amended by the Accounts and Audit (Coronavirus) Amendments Regulation 2020 (SI 2020/404), require that each authority prepare and approve its accounts by 31 August and publish them by 30 November. The format and content of the accounts is also governed by the IFRS Code of Practice issued by CIPFA.

**7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 7.1 Not applicable.

**8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

- 8.1 Not applicable.

**9. RECOMMENDATIONS**

- 9.1 The Statement of Accounts for 2019/2020 be approved.
- 9.2 The contents of the Audit Completion Report be noted.
- 9.3 The Audit Committee endorse the signing of the Letter of Representation by the Chair of the Audit Committee and the Director Governance and Partnerships.
- 9.4 Delegate approval to the Chair of the Audit Committee and the Director Governance and Partnerships to approve the audited set of accounts on behalf of the Audit Committee following the completion of all audit work.

DIRECTOR GOVERNANCE AND PARTNERSHIPS

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**Background Papers used in the preparation of this report**

- Statement of Accounts 2019/2020
- CIPFA Accounting Code of Practice
- International Standard on Auditing 260