



Governance Scrutiny Group

Tuesday, 24 November 2020

Approval of the Statement of Accounts 2019/20

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of Report

- 1.1 This report presents the Council's statutory Statement of Accounts (Appendix B) for the financial year 2019/20 to be approved by the Governance Scrutiny Group along with the Management Representation Letter (Appendix C).
- 1.2 The Council's external auditors have commented on the Statement of Accounts and their quality in their covering report (Appendix A). This year there are particular issues linked to Covid which may result in the Statement of Accounts being altered after the Governance Scrutiny Group meeting or a delay in a final audit report. This is due to delays in the outcome of the Pension Fund audit which feeds into Rushcliffe's (and the other Nottinghamshire authorities) accounts. Nottinghamshire County Council are the accountable body awaiting Grant Thornton to conclude the audit.

2 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group approve:

- a) The findings of Mazars Audit Completion Report (**Appendix A**) prior to recommending the approval of the Statement of Accounts.
- b) The Statement of Accounts for 2019/20 including the Annual Governance Statement (**Appendix B**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.
- c) The Management Representation letter (**Appendix C**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.
- d) That the Chair of Governance Scrutiny Group and S151 officer have delegated authority for the final approval of the audited Statement of Accounts for 2019/20 and any changes to the Management Representation letter, subject to a satisfactory outcome of the Nottinghamshire County Council Pension Fund audit, (notifying members of the Governance Scrutiny Group of any significant issues arising (if required)).

3 Reasons for Recommendation

- 3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code') and various legislation such as the Accounts and Audit Regulations (2015); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

4 Supporting Information

- 4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code') and the Annual Governance Statement must comply with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.
- 4.2 As part of the final accounts process Mazars, as the Council's appointed auditor, provide a detailed report on the conduct of the audit of the final accounts alongside representations on specific matters such as the Council's financial standing and whether the transactions with the accounts are legal and unaffected by fraud. These issues are addressed in the *Audit Completion Report* which is attached at **Appendix A**.
- 4.3 The Statement of Accounts 2019/20 at **Appendix B** is included as a separate document. This includes the Council's Annual Governance Statement (AGS) which, in line with best practice, has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group 30 July 2020. There are minor changes largely updating some of the values linked to the impact of Covid so they are consistent with Full Council and Cabinet reports.
- 4.4 The closure of accounts process is complex particularly with the impact on resources as a result of Covid19. The deadline for the certification of the accounts has been extended this year due to the pandemic but, pleasingly, at the time of writing no significant issues have arisen from the audit regarding the work undertaken by RBC officers. It has been a challenging audit running from June to November 2020 at a time when the Finance Team have had to deal with additional demand as a result of Covid, such as supporting the distribution of Business Grants. We also appreciate the Mazars team have been auditing in exceptionally difficult circumstances and thank them for their work.
- 4.5 There was an increase to the level of review work undertaken on defined benefit pensions (the Pension Fund Accounts where Nottinghamshire County Council are the accountable body) this year due to a combination of requirements by the Financial Reporting Council (FRC) and the impact of Covid. At the time of writing the Pension Fund auditor (Grant Thornton) has not yet finalised their conclusion and there is a risk that they may declare material valuation uncertainty on the value of the property assets within the fund and the Management Representation letter and accounts may need to be updated. The two likely outcomes being either:

- Material Valuation Uncertainty - material uncertainty on pension assets or liabilities; or
- No issues arising and no further action to be taken.

This report is prepared on the basis that the outcome will be the second outcome. In the event of outcome 1 arising, it is recommended that approval to amend any disclosures is delegated to the Chair of Governance Scrutiny Group and the S151 officer. The members of the Group will be notified of any significant issues arising. It should be noted that there is a risk the final auditors report will not be issued by 30 November 2020.

- 4.6 The audit completion report and management representation letter does identify an unadjusted misstatement (Appendix A page 12) as identified by Mazars during the audit. This is in relation to the first tranche of Covid funding that although expected on 1 April, was actually received on 31 March. The Council's S151 Officer does not agree with this assertion, and in common with other Nottinghamshire districts/boroughs, other councils treated this in the same way in their accounts. The Council's rationale for not reflecting the income in the 2019/20 accounts is that the impact of Covid has been far more significant in 2020/21. Mazars have identified this as a misstatement as they believe the income should have been recognised in 2019/20. The value of the grant was £42k and the accounts have not been adjusted for this.
- 4.7 **Appendix C** details the management representation letter. This letter confirms for the auditors that the Council is satisfied with the validity of the financial statements provided by the Authority to Mazars. If agreed, this letter will be signed at the conclusion of the meeting, subject to an update on the issues stated at paragraph 4.5.

5 Risk and Uncertainties

- 5.1 Failure to adhere to professional accounting practice could lead to potential criticism from the Council's external auditors and inadequate Financial Statements.

6 Implications

6.1 Financial Implications

Page 10 of Appendix A focuses on audit fees and identifies a potential £6,194 potential permanent uplift in fees as a result of requirements of the Financial Reporting Council. There is the potential for a further £6k increase due to additional work and involved additional audit testing. We will be writing separately to the Public Sector Audit Appointments (PSAA) and Mazars regarding concerns raised during the audit, particularly over what we consider to be excessive sample testing which we believe created an unnecessary burden of work for both auditors and Rushcliffe officers.

6.2 Legal Implications

There are no legal implications identified for this report.

6.3 Equalities Implications

There are no equalities implications identified for this report.

6.4 Section 17 of the crime and Disorder Act 1998 Implications

There are no implications

7 Link to Corporate Priorities

Quality of Life	The Statement of Accounts relates to the funding of the Council's Corporate Strategy and the Council achieving all of its Corporate Priorities
Efficient Services	
Sustainable Growth	
The Environment	

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Background papers Available for Inspection:	Governance Scrutiny Group Agenda 30 July 2020

List of appendices (if any):	Appendix A – Mazars Audit Completion Report 2019/20 Appendix B – Statement of Accounts 2019/20 Appendix C– Draft Management Representation Letter
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