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**Audit and Governance Committee**

20 November 2020

Report of the Chief Finance Officer

**Annual Financial Report - Statement of Accounts 2019/20**

**Summary**

1. This report presents a final set of accounts for 2019/20 to reflect changes made since the draft pre-audit accounts were presented to this committee on 15<sup>th</sup> July 2020.

**Recommendations**

2. Members are asked to
  - (a) Note the matters set out in the Audit Completion Report presented by the external auditor in the previous agenda item and summarised in this report.

Reason

To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

- (b) Note the current status of the amended Statement of Accounts for 2019/20 at Annex A,

Reason

To ensure compliance with the International Auditing Standards and other relevant legislative requirements.

- (c) Confirm that the final authorisation of the Statement of Accounts 2019/20 can be delegated to the Chief Finance Officer and the Chair of the Audit & Governance Committee, upon the formal conclusion of the audit of the accounts.

Reason

To ensure compliance with the International Auditing Standards and other relevant legislative requirements.

## **Background**

3. The International Standard on Auditing (ISA) 260 requires the Council's External Auditor to report to those charged with governance any issues arising from the audit of the financial statements. It is also a statutory requirement that the Council approves the final statement of accounts after the audit has concluded.
4. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the statutory deadlines to prepare draft Accounts by 31<sup>st</sup> May to 31<sup>st</sup> August, and approve final audited accounts from 31<sup>st</sup> July to 30<sup>th</sup> November.

## **Analysis**

5. The accounts attached at Annex A have been revised since the unaudited version was reported to the Audit & Governance Committee meeting in July 2020. A number of minor amendments have been made to the text and supporting information, mostly to try and improve the information contained within the accounts. No substantive changes made to any of the core statements. All the changes made have been highlighted in the accounts attached at Annex A.
6. It should also be noted that these changes have no impact on the outturn position of the council as all the changes made are minor clarifications and technical accounting adjustments.
7. The details of changes made are included in appendix A of the Audit Completion Report also on this agenda, which highlights the auditor's view on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in our use of resources. This is split into two parts, the Statement of Accounts, and Value for money assessment.
8. At the time of writing, the auditor still has areas of work outstanding, which are detailed in their Annual Completion Report also on this agenda and summarised below. These outstanding areas of work mean that the auditors cannot yet formally issue an opinion on the Statement of Accounts, or the Value for Money assessment.
  - The audit of the valuation of the Art Collection element of heritage assets remains ongoing. Heritage assets are held on the council's balance sheet and reviewed with sufficient frequency to ensure they are accurate in accordance with the Cipfa Code of Practice, as set out in paragraph XII on pages 21-22 within the Accounting

policies section of the Statement of Accounts. The council's collection of art is located at the City Art Gallery and is reported on the Balance Sheet at insurance valuation which is based on market values. Note 13 (page 46) of the accounts sets out the carrying value of all Heritage assets held on the Council's balance sheet.

- The North Yorkshire Pension Fund's auditors report has yet to be published therefore Mazars are unable to confirm pension figures in the accounts. This issue is not specific to York and affects all members of the pension fund.
- There are outstanding details surrounding the exit package disclosed in Note 37 (page 38) of the accounts that need clarifying.
- The Whole of Government Accounts (WGA) is a supplementary return the council completes each year. WGA is a central government initiative which consolidates the audited accounts of over 8,000 organisations across the public sector in order to produce a comprehensive, accounts-based picture of the financial position of the UK public sector. This was completed on time however there have been delays in the government issuing instructions to auditors therefore the audit of this return has yet to commence.

9. As the auditors are yet to complete their work, Members are not being asked to sign off the Final Statement of Accounts at this meeting. This is to allow the auditors time to complete their work and ensure any changes that could potentially arise from this work be reflected in the final accounts that are approved by Members.
10. Once the auditors have completed this work, they will provide Members with an update by email and circulate an updated Audit Completion report along with a final version of the Accounts to be signed. This will then be uploaded to the Council's website and brought to the next Committee meeting for information.
11. Whilst this means that the Council will not have the 2019/20 final accounts signed off by the 30<sup>th</sup> November, in actual fact there is no financial or other impact on the Council as a result. The issues still being examined by the Auditor do not change the financial position of the Council and do not alter the 2019/20 outturn previously reported to Executive.
12. Once the audit work has been completed, officers will ensure that any issues are rectified and an appropriate action plan put in place. Should it be required, this action plan will be reported to this Committee and

regular updates will subsequently be reported to enable Members to be assured that the necessary action has been taken.

13. Given we have not yet reached the deadline for publishing the accounts we are unable to report how many other Councils will not publish their accounts by the 30<sup>th</sup> November. However, the recently released Redmond Review highlighted that some 40% of Council's did not publish audited accounts by the deadline in 2018/19.
14. Mazars have also received correspondence from a local elector which raise a number of points. At the time of preparing this report, they were considering whether any elements constitute valid objections to the accounts and will update Members once they have reached a conclusion.
15. The accounts were available for public inspection from the 1<sup>st</sup> July for a period of 30 working days. There were a number of requests for information from several residents during this period. The main areas inspected included land and property sales and acquisitions, contracts awarded, details of agency staffing costs, external legal fees, exit packages and travel costs.
16. The annual production of the accounts is the subject of a continuous review and, as usual, areas for improvement will be identified as a result of any issues identified this year. Any subsequent items identified in the audit work between the date of this report and the date of the meeting will be reported verbally at the meeting.

### **Consultation**

17. The content of the report of the external auditor has been discussed with the relevant responsible officers. It is reported here for due consultation with those members charged with governance at the council.

### **Options**

18. Not applicable.

### **Corporate Priorities**

19. The Annual Financial Report provides a technical financial summary of the activities of the council and assists in providing the Council with a viable financial position on which to base future budget projections, as well as contributing to the overall effectiveness of the Council's governance and assurance arrangements.

## Implications

20. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

## Risk Management

21. Areas of risk identified throughout the annual accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met.
22. The Council will fail to comply with legislative and best practice requirements to provide for a proper audit of the Council if it does not consider this report.

<b>Authors:</b>	<b>Chief Officer responsible for the report:</b>		
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	<b>Report Approved</b>	√	<b>Date</b> 11.11.20
<b>Wards Affected: All</b>			
<b>For further information please contact the author of the report</b>			

## Background Papers:

Audit & Governance Committee 15 July 2020 – Pre Audit Statement of Accounts 2019/20

## Annex:

Annex A Final Statement of Accounts 2019/20