

AUDIT COMMITTEE

Subject Heading:

Annual Statement of Accounts 2019/20 & External Audit report to those charged with Governance

SLT Lead:

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Policy context:

Audit Committee responsible for approving accounts

Financial summary:

There are no direct financial implications to the report

The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input checked="" type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

SUMMARY

The Council's Statement of Accounts is required to be published after the conclusion of the external audit of accounts. The accounts timetable for 2019/20 has been extended until 30 November due to COVID19, therefore officers are tabling the audited accounts for 2019/20 at this Audit Committee for approval. The draft accounts were published on the Council website on the 6th July 2020.

Members are invited to ask questions on the accounts. It would be appreciated if any questions are emailed in advance of the meeting to provide an opportunity to provide a response at the committee meeting.

RECOMMENDATIONS

The Committee is asked to:

- a) Consider the contents of this report and the Statement of Accounts (Appendix A), alongside the “External Audit Report to those charged with Governance” (Appendix B – *to follow*) and any verbal updates by the External Auditor under that agenda item, following their examination of the Council’s accounts.
- b) Note that the audited accounts must be published at the earliest opportunity following the audit.
- c) Note any requested amendments to the accounts arising from the audit. ***At the time of writing no material amendments had been recommended that changed usable resources of the Council.***
- d) Approve the Statement of Accounts for the financial year ended 31st March 2020, having regard for the auditor’s Report.
- e) Agree that the Chair of the Committee, in consultation with the Chief Operating Officer (Statutory Chief Finance Officer) be delegated to approve any subsequent amendments to the Statement of Accounts that may be necessary as a result of audit completion procedures.
- f) To approve the Letter of Representation (Appendix C – ***to follow***).

REPORT DETAIL

1. Statement of Accounts 2019/20

1.1 The Accounts and Audit Regulations 2015 require that the authority must prepare and publish its approved draft and audited accounts by 31st May and 31st July respectively. However due to disruption caused by the COVID 19 virus, legislation was passed to delay the statutory publication date until 31st August and the audit opinion until the 30th November 2020. EY were not able to complete their audit by November, so the accounts are being tabled at this meeting.

1.2 The Council published the draft accounts on the website on 6th July 2020. These were approved for issue by the Chief Operating Officer. The Council external auditors, Ernst and Young (EY), conducted their main audit programme in August and September. Some interim audit work was conducted in February and March. The draft audit opinion is being presented to this Committee. This will also include a Value for Money opinion.

1.3 The Statement of Accounts and Annual Audit report are attached to this report to the Audit Committee. No further material changes to the Accounts are expected. The draft accounts were tabled at an earlier Committee and a training session on the financial statements was provided prior to the October meeting.

1.4 Property, Plant & Equipment

No amendments to the 2019/20 property, plant and equipment valuations on the 31st March 2020 balance sheet have been requested by the auditors at the time of writing this report.

1.5 Earmarked Reserves

£11.6m of earmarked reserves were applied during 2019/20 – mainly £5.3m of school reserves and £6.1m of the risk reserve. Other reserves have increased by £7.2m due to COVID19 funding from the Government – it is likely that this will be used during 2020/21.

1.6 Collection Fund

There is no surplus at 31st March 2020 for Council Tax, in line with the January 2020 forecast. However the NNDR element of the collection fund shows a £2.9m deficit – this is due to lower NNDR being collectable, mainly as a result of appeals. The Council's share of the £2.9m deficit is £1.5m and has been factored into the medium term financial strategy. Membership of the London wide NNDR pool has generated income that will help offset some of this deficit.

Housing Revenue Account

1.7 The HRA is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock of some 9,128 dwellings. The HRA balance as at 31st March 2020 is £9.8 million, up £4.9 million – this is mainly due to lower expenditure in the year.

Pension Fund Liability

1.8 The IAS19 pension valuation report shows that the estimated pension fund deficit had fallen by around £116m during the year. This was mainly due to a higher discount rate used to calculate the net present value of future pension payments. This change has no impact on the usable financial reserves of the Council.

1.9 Presentational

1.10 There are no significant format changes from the previous year.

1.11 The Accounts closing team have taken full consideration of the issues raised in the 2018/19 audit and made arrangements to ensure every issue raised is reviewed in detail and steps are in place to improve the process to reduce such errors.

1.12 Following approval of the recommendations by this Committee, the accounts and Letters of Representation must be signed by the Chair of the Committee and the Chief Financial Officer.

2. Accounting Policies

The Audit Committee meeting of 28th January 2020 noted the accounting policies to be applied to the financial year 2019/20, and these are reflected in the draft Statement of Accounts. The accounting arrangement around the group has been applied to consolidate Mercury Land Holdings within Havering's accounts as per last year along with the three joint venture arrangements for the first time.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications arising from the publication or approval of accounting policies. There are no material changes to policy impacting upon the Council's financial position.

Legal implications and risks:

The Audit Committee is the decision making body in relation to the approval of the Annual Statement of Accounts which is one of the miscellaneous functions not to be the responsibility of the Executive.

As stated above the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020/404 amended the timetable for Local Authority accounts.

The guidance letter accompanying the Regulations from MHCLG dated 22 April stated the effect of the amendments as follows:

"The publication date for final, audited, accounts will move from 31 July for Category 1 authorities and 30 September for Category 2 authorities to 30 November 2020 for all local authority bodies.

The Authority has failed to approve and publish the final, audited Accounts within the extended statutory timetable for the reasons set out in the Report. The consequences of this failure, if any, can be mitigated by approving the Accounts now, albeit late.

Otherwise there are no apparent legal implications in adopting the recommendations set out in this Report.

Human Resources implications and risks:

Not applicable.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.