

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 19 NOVEMBER 2020

SUBJECT OF REPORT: STATEMENT OF ACCOUNTS 2019/20

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: MELANIE WATTS, HEAD OF CORPORATE ACCOUNTANCY

KEY DECISION: N/A

RECOMMENDATIONS

- 1) The Audit Committee is requested to:
 - a) consider the matter(s) raised in the Annual Governance Statement;
 - b) take note of any adjustments to the financial statements set out in the external auditor's report;
 - c) approve the draft letter of representation; and
- 2) That subject to any comments under 1 above, the Audit Committee:
 - a) approves the Statement of Accounts for 2019/20, *subject to*, any amendments necessary upon quantification of the impact of any issues arising from on-going work by the external auditors;
 - b) arrange for the Chair of the Council's Audit Committee and the Chief Financial Officer to sign the Accounts for 2019/20 as representing a 'true and fair view' of the financial position as at 31 March 2020, following any amendments necessary upon quantification of the impact of any issues arising from on-going work by the external auditors; and
 - c) arrange for the Leader of the Council and the Chief Executive Officer to formally approve the council's Annual Governance Statement as part of the financial accounts and sign accordingly.

1. SUMMARY OF REPORT

Statement of Accounts

1.1 The Council's draft Statutory Statement of Accounts was prepared and approved ready for audit by the Director of Finance and Property on 1 July 2020. The Accounts have

now been audited and are being presented to Audit Committee for formal approval. The latest revised Statement of Accounts for 2019/20 are attached at Appendix A.

1.2 These revised accounts are reflective of all adjustments agreed with Grant Thornton during the course of the audit up to 10 November 2020, but are yet to be adjusted for any potential material impact of matters arising from their on-going audit testing.

1.3 Grant Thornton, the Council's external auditors, currently expect to give an unqualified audit opinion, but are unable to provide their audit opinion, or audit certificate concluding their audit, until their audit testing is completed, and any material impact of any errors identified from this work adjusted for in the statement of accounts.

1.4 The Accounts and Audit Regulations require the accounts to be formally approved and published by 30 November 2020. We therefore recommend that the latest revised Statement of Accounts for 2019/20 be approved, *subject to*, any further amendments necessary to reflect any potential material impact of matters arising from their on-going audit testing.

Annual Governance Statement

1.5 The Annual Governance Statement (AGS) is required by the Accounts and Audit Regulations 2015 to be published with the Council's Statement of Accounts, and to be formally approved and signed by the Leader of the Council and the Chief Executive. The AGS for 2019/20 has been completed in accordance with the framework previously agreed by the Audit Committee.

1.6 The AGS provides an update of the significant issues raised in the previous year's statement and highlights the key new risks to the Council arising from the Coronavirus pandemic.

1.7 The Statement continues to reflect the current position at November 2020.

2. POLICY

2.1 The Accounts and Audit (England) Regulations 2015, Regulation 9(2), requires the Council to:

a) consider, either by way of a committee or by the members meeting as a whole, the statement of accounts;

(b) approve the statement of accounts by a resolution of that committee or meeting;

(c) ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

2.2 Regulation 9(3) requires the responsible financial officer to re-confirm on behalf of that authority that they are satisfied that the statement of accounts presents a true and fair view of:

(a) the financial position of the authority at the end of the financial year to which it relates; and

(b) that authority's income and expenditure for that financial year, before the approval of the accounts.

2.3 The preparation and publication of an Annual Governance Statement is in accordance with the “Delivering Good Governance in Local Government” framework introduced by CIPFA SOLACE during 2007, and updated in 2012. The Statement explains how North Somerset Council has complied with the Local Code of Corporate Governance which arises from the CIPFA framework and also meets the requirements of the Accounts and Audit (England) Regulations 2015, specifically Part 2, Regulation 3, which requires:

A relevant authority must ensure that it has a sound system of internal control which—

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

2.4 Regulation 6(1) requires authorities to conduct a review of the effectiveness of its system of internal control, and to prepare an annual governance statement, at least once a year.

2.5 Regulation 6(2) requires the findings of the review of the effectiveness of the system of internal control, and the Annual Governance Statement, to be considered and approved by a Committee of the relevant body, or by its members of the body meeting as a whole. At North Somerset Council, this function is the responsibility of the Audit Committee.

3. DETAILS

Statement of Accounts

3.1 The draft Statement of Accounts for 2019/20 was approved by the Director of Finance and Property, and published on the Council’s website, on 1 July 2020, which is in line with the requirement for publication by 31 July 2020. This deadline was revised from 31 May 2020 due to the Covid-19 epidemic.

3.2 It is the responsibility of the Audit Committee to both consider the draft Accounts in detail, and also approve the audited Accounts as part of their governance role.

3.3 Since the draft Accounts were presented for audit in July, the Council’s external auditors’, Grant Thornton, have undertaken their review and prepared their Audit Findings Report (ISA 260 Report). This report summarises the outcome on the annual accounts audit and is being presented to this meeting.

3.4 As noted above, the revised accounts have yet to be adjusted for any potential material impact of matters arising from their on-going audit testing.

3.5 The auditor has outlined in the draft ISA 260 report being presented to this Committee that, *subject to*, the completion of their audit testing, and any material impact of any errors identified from this work adjusted for in the statement of accounts, he is satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2019/20 (The Code).

3.6 The latest revised Statement of Accounts for 2019/20, following the audit process, is attached at **Appendix A**. A number of minor amendments have been incorporated into the document.

3.7 As part of the completion of the audit, and prior to the issue of the audit certificate by the auditors, the Audit Committee is required to consider and sign a formal letter of representation, and to submit this to the auditor. This letter should be signed by the Director of Finance and the Chair of Audit Committee, and is attached at **Appendix B**.

Annual Governance Statement

3.8 In accordance with the framework agreed by the Audit Committee, the Head of Audit West has led on the collation and co-ordination of information relating to the preparation of the draft Statement, and gathering of evidence to support the Statement.

3.9 The Audit Committee received an AGS review update in January 2020, prior to inclusion within the draft statement of accounts in July 2020.

3.10 The Council's final Annual Governance Statement has been published within the Statement of Accounts, and is a declaration of assurance.

3.11 In the previous year, one significant issue was identified for inclusion in the Annual Governance Statement. It highlighted the number of senior management roles which were vacant or filled by interims during the year. Whilst no significant governance failures had occurred, the Council acknowledged that the level of challenges in the delivery of its core business requires sufficient capacity to enable not just the priorities of the Council to be delivered but core internal controls to be managed successfully. This year's statement confirms that the council recognised the issues and the actions and positions including the Chief Executive, Director of Development & Environment and Director of Finance have now been in post for some time, and other key roles have been filled.

3.12 The AGS highlights the key new risks to the Council arising from the Coronavirus pandemic, and sets out the high level mitigating actions that the Council is taking to continue to tackle these significant issues.

4. CONSULTATION

4.1 As detailed in the body of the report, the Accounts were made available for inspection to members of the public, in line with statutory requirements.

4.2 Senior officers of the council have been involved with the formulation of the AGS, and members of the Audit Committee have been regularly updated with details of the process and outcomes.

5. FINANCIAL IMPLICATIONS

5.1 Financial implications are contained throughout the Statement of Accounts.

6. LEGAL POWERS AND IMPLICATIONS

6.1 The annual Accounts and the Governance Statement have been prepared in accordance with all relevant legislation, which is detailed throughout the report.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

7.1 None. The Accounts and AGS do not directly impact on climate change and the environment.

8. RISK MANAGEMENT

8.1 Risk implications are contained throughout the Annual Governance Statement.

8.2 Failure to comply would result in non-compliance of statute (notably approval of the accounts by 30 November 2020), and leave the Council open to criticism by external audit and other external organisations.

9. EQUALITY IMPLICATIONS

9.1 None. The Accounts and AGS have been prepared in line with statutory legislation.

10. CORPORATE IMPLICATIONS

10.1 Although the production of an Annual Governance Statement is a statutory requirement of the Accounts and Audit (Amendment) (England) Regulations, the responsibility for securing effective governance, internal control and risk management arrangements rests with all senior officers and members of the Council, and not with auditors and finance staff alone.

10.1 The Council's external auditor will take a view on whether any significant governance or internal control weakness identified by the AGS, and the action being taken to remedy them, are a proper reflection of the Council's governance and internal control arrangements, and that no material weaknesses have been omitted.

11. OPTIONS CONSIDERED

11.1 None. The Accounts and AGS have been prepared in line with statutory legislation.

AUTHOR

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BACKGROUND PAPERS

NSC Statement of Accounts 2019/20 – Draft published 1 July 2020

APPENDICES – THESE WILL BE PROVIDED AT THE MEETING

Appendix A Revised draft Statement of Accounts 2019/20, including amendments to date, but excluding the draft audit opinion
Appendix B Draft Letter of Representation 2019/20