

REPORT TITLE: ANNUAL FINANCIAL REPORT 2019/20

12 NOVEMBER 2020

REPORT OF CABINET MEMBER: CLLR CUTLER - DEPUTY LEADER AND
CABINET MEMBER FOR FINANCE AND RISK

Contact Officer: Liz Keys Tel No: 01962 848226 Email LKeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report presents the Audited Financial Report 2019/20 which includes:

- a narrative statement (for noting);
- The audited Statement of Accounts for the year ended 31 March 2020 (for approval).

The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the publication deadline for 2019/20 audited accounts from the 31 July to 30 November 2020. The Audit and Governance Committee has delegated powers to review and approve the annual Statement of Accounts. The Committee has specific responsibility to consider the appropriateness and application of accounting policies and whether there are any concerns arising from the financial statements' audit.

Elsewhere on the agenda the External Auditors have presented their Annual Results Report which includes a proposed unqualified opinion (AG039). The audit is still to be completed at the time of writing this report. The version of the accounts appended to this report may be subject to change if the audit identifies any material misstatements prior to the committee meeting.

It is important that Members have considered the key issues contained in the Accounts. Members have had the opportunity to raise any queries regarding the Financial Statements in the period since the pre-audit accounts were issued in July and are once again requested to raise any matters of detail with the Corporate Head of Resources in advance of the meeting.

RECOMMENDATIONS:

1. That the Committee delegates approval of the audited Statement of Accounts 2019/20 as set out in Appendix 1, subject to amendments resulting from the completion of the auditor's outstanding work, to the Section 151 Officer in consultation with the Chair of the Audit & Governance Committee.
2. That, on completion of the auditors work, the Chair of the Audit & Governance Committee signs the Statement of Responsibilities on page 24 of Appendix 1 to certify the accounts and authorise their issue.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 *Your Services, Your Voice* - The preparation of the Annual Financial Report is fundamental to open and transparent accountability for public finances. Ensuring strong financial reporting and transparent stewardship of public funds underpins the council's ability to deliver all its outcomes but in particular the priority to ensure stable council finances.

2 FINANCIAL IMPLICATIONS

- 2.1 The planned fee for the audit of the 2019/20 accounts is £43,379. The final fee for the equivalent audit of the 2018/19 accounts is £44,879 (this includes a scale fee variation of £1,500 which Public Sector Audit Appointments has recently confirmed is appropriate).
- 2.2 EY have raised with officers an increase to fees for work they consider necessary in their assurance work on the Annual Financial Report 2019/20. An additional fee of £801 has been submitted for work the auditors have done on the Hampshire Pension Fund.
- 2.3 Additional fee is also to be requested for work required in relation to Covid-19, it is not yet known how much the additional fee will be.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities in the UK are required to prepare their accounts in accordance with 'proper (accounting) practices' as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The Code specifies the principles and practices of accounting, required to prepare financial statements that give a true and fair view of the financial position and transactions of a local authority.
- 3.2 The Audit and Accounts Regulations 2015 require an authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and include a statement reporting on the review alongside the Statement of Accounts.
- 3.3 The necessity to conform to these Regulations and the Code is recognised accurately in this report.
- 3.4 There are no direct legal implications.

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

5.1 None

6 CONSULTATION AND COMMUNICATION

6.1 A public notice is published to inform interested parties of their rights to inspect the statement of accounts and records relating to them. The public notice also details how to access this information and how to ask questions of and make objections to the council's external auditor. This was published the day following publication of the unaudited Annual Financial Report on 28 August 2020. There have been no requests, questions or objections received by the council or the auditors.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None

8 EQUALITY IMPACT ASSESSEMENT

8.1 None arising from the content of the report. However, officers have regard to the considerations as set out in the Equalities Act 2010 when deciding whether an Equality Impact Assessment will be required following any specific recommendations or future decisions.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Legal</i> Failure to meet the statutory deadline for publication of the financial statements.	<p>A project plan for the delivery of the accounts closedown is used to ensure the Statement of Accounts and Annual Financial Report are produced by the statutory and audit deadlines.</p> <p>A comprehensive set of working papers was produced in advance of the external audit and an effective plan for the efficient transfer of information and update meetings was agreed with the audit team.</p>	

<p><i>Reputation</i> The financial statements receive an adverse external audit opinion</p>	<p>The statements are prepared in accordance with the CIPFA code of practice.</p> <p>Accounts staff attend regular public sector accounting workshops delivered by EY and CIPFA.</p> <p>Regular engagement with external audit on potential issues identified.</p>	
---	--	--

11 SUPPORTING INFORMATION:

- 11.1 The financial statements have been subject to external audit by Ernst and Young LLP (EY). In accordance with the statutory requirements, it is planned that the audited Statement of Accounts will be published, together with the auditor's opinion, Narrative Statement and Annual Governance Statement, by the 30th November 2020.

Valuer market review of council owned properties.

- 11.2 It was reported to this Committee in July that the external valuer Wilks Head & Eve (WHE) noted 'material uncertainty' in their report due to the COVID-19 pandemic and its impact on markets. We commissioned WHE to undertake a further market review in August to identify if there was any further evidence indicating a need revisit the asset values on our balance sheet in the draft financial statements. The outcome of this review was that there was no further evidence indicating a need to revise the asset values and no amendments to the draft financial statements were required.

External Audit

- 11.3 EY are still to complete the audit at the time of writing this report. Should the audit identify any material errors or misstatements, the final accounts brought to Committee for approval may differ from those appended to this report.
- 11.4 Since the preparation of the pre-audit Statement of Accounts and its publication in August, a small number of minor disclosure adjustments have been agreed with the auditors. These have been included in the Annual Financial Report in Appendix 1.
- 11.5 There is one unadjusted audit difference (detailed in section four of the Audit Results Report appended to AG039) relating to an overstatement of pension assets in the Hampshire Pension Fund by £620,000. The auditors concluded

the difference was materially fairly stated and that no adjustment was required in order for them to be able to give an unqualified opinion.

Approval of the Statement of Accounts

- 11.6 The Statement of Accounts has been prepared in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations.
- 11.7 The council's Statement of Accounts was signed, prior to the Committee meeting, by the Strategic Director: Services, in his capacity as Section 151 Officer, to certify that they give a true and fair view of the financial position of the Council as at 31 March 2020.
- 11.8 In addition, the Chair of the Audit and Governance Committee is required to sign the Statement of Accounts to certify that they have been approved by a resolution of the Audit and Governance Committee and that they are authorised for issue. Due to the incomplete audit, it is recommended

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[AG033 Annual Financial Report 2019 2020](#)

APPENDICES:

Appendix 1 – Annual Financial Report for the Year Ended 31 March 2020