

2019/20 Audit Findings Report

Audit & Scrutiny Committee Tuesday, 2 November 2021

Report of: Anna D'Alessandro Interim Chief Finance Officer and Section 151 Officer ADAlessandro@tandridge.gov.uk

Purpose: This report presents Deloitte's Audit Findings report for the Council for the financial year ended 31 March 2020

Publication status: Unrestricted

Wards affected: All

Executive summary:

The Audit and Performance Committee received confirmation that the Council's external auditors Deloitte had successfully completed their audit of the 2019/20 accounts at its meeting on 27 January 2022. The Committee were also informed that the accounts had been signed. Since that meeting Deloitte have issued their final Audit Findings Report. The report is attached as Appendix 1.

This report supports the Council's priority of: Building a better Council

Contact officer Anna D'Alessandro Interim Chief Finance Officer and Section 151 Officer ADAlessandro@tandridge.gov.uk

Recommendation to Committee:

It is recommended that the Committee considers the findings outlined in Deloitte's Audit Findings Reports (Appendix 1).

Reason for recommendation:

The Audit Findings Report summarises the findings of the 2019/20 audit. It includes the messages arising from the audit of the statement of accounts and the results of the external auditor's work undertaken to assess the Council's arrangements to secure value for money in the use of resources.

Introduction and background

- 1 The Local Audit and Accountability Act 2014 normally requires that the Statement of Accounts be published by 31 July, and that they are approved, prior to this date, by the relevant Committee – notably, Audit and Scrutiny Committee. For 2020, the deadline for 2019/20 Accounts was extended to the 30 November 2020 due to the COVID-19 pandemic. The audit was not complete at this date although it was reported that no significant audit adjustments or disclosure deficiencies had been identified on first inspection. Subject to the completion of the audit, Deloitte envisaged issuing an unmodified audit opinion on the financial statements.
- 2 The attached Audit Findings Report is an update to the Committee following the successful finalisation of the audit for the year ended 31 March 2020. Deloitte’s audit report on the financial statements is unmodified. The report also provides an update on the finalisation of matters that were open at the time of the report of 25 November 2020 on the 2019/20 audit, with any updated elements marked in red.
- 3 As reported previously the external auditors have issued a qualified value for money conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness in the use of resources. The reasons for this are as reported previously and set out on page 4 of the report. It is important to note that this report refers to the 2019/20 financial year and so pre-dates the identification of the c£920k pensions budget misstatement in 2020/21 and 2021/22’s budget. This along with the current levels of internal audit assurance are likely to mean that it will take some time for the Council to achieve an unqualified Value For Money report, despite the significant steps taken over the past 12 months to ensure that the Council’s finances are stabilised.
- 4 At the Committee on 27 January 2022, Deloitte provided a verbal update to Members on the current position of the signing off of the Council’s 2019/20 accounts. The 2019/20 accounts had been signed off on that date and the audit opinion was ready to be sent. Appendix 1 details the audit opinion. The audit process is intended to ensure that there are no material misstatements in the accounts and the audit is directed towards forming and expressing an opinion about the financial statements.
- 5 During the audit process some minor misstatements were identified. As can be seen in the Deloitte report there were very few unadjusted items, and these are outlined in the Audit Findings Report Appendix 1 on page 22. These adjustments are not material and have no impact on future Council budgets. The detailed unadjusted misstatements can be seen below.

Unadjusted Item	Why Unadjusted	Affect Revenue Budget	Repeated in 2021/22
Partnership Income Classification and Debtor balance shown as Creditor	Nil overall affect and not material. No impact on year-end balance or future years	No	No
Impact of McCloud Ruling	Adjustment numbers are estimations and not actual	No	No
Assets disposed of but not removed from Fixed Asset Register	Change was not material and whilst affecting a number of accounts and notes in the statements (thereby delaying the signing of the statements) there is no financial affect for the Council. This will be corrected for the 2020/21 and future statements	No	No

- 6 The Audit report draws attention to Note 4 of the statements. This note describes the effects of the uncertainties created by the Covid-19 pandemic on the property valuation, including the Council's properties, investment properties and investments in property funds. As noted by the external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the Council's properties, investment properties, and investments in property funds at the balance sheet date. Deloitte have not modified their opinion however and have concluded that the net book value of property assets is not materially misstated and the Council's valuation assumptions are reasonable.
- 7 The report also draws the Committee's attention to some disclosure deficiencies on page 23. These deficiencies have no financial impact. Following this report, the Council is carrying out various exercises to data cleanse, review and improve processes for the 2020/21 statements.

Financial Implications

- 8 There are no direct financial implications of this report.

10 Conclusions:

- 9 Deloitte have issued an unqualified opinion on the 2019/20 financial statements.

- 10 The Value for Money assessment is qualified and may remain so for at least two further audits, for well-rehearsed reasons. Officers will continue work to move the Council forward in those areas.

Key implications

Comments of the Chief Finance Officer

- 11 The statements of accounts have been published in line with statutory regulations. Action points raised in the audit report have already been actioned as part of the planning for future years audits.

Comments of the Head of Legal Services

12. The completion, approval and audit of the annual statement of accounts by the statutory deadline are key requirements of the Accounts and Audit Regulations 2015. In this instance, the delay rests with the external auditors, Deloitte. This is of course not ideal and does add to the pressures for 2020/21. Based on Deloitte's assessment, the Council's Chief Finance Officer (Section 151 officer) is fully aware of the challenges the Council faces to deliver its services in the future taking account of the future known risks. Therefore, the Council is a going concern and the 2019/20 Statement of Accounts have been prepared on that basis.

Risk Management Implications

There are no direct risk management implications of this report

Equality

There are no direct equalities implications of this report

Climate change

There are no direct climate change implications of this report

Appendices

Appendix A – Deloitte Audit Findings Report 2020/21

Background papers

Statement of Accounts

----- end of report -----