



## Report of: Corporate Director Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	29 September 2020		ALL

## STATEMENT OF ACCOUNTS 2019-20 (INCLUDING PENSION FUND ACCOUNTS) AND AUDIT FINDINGS REPORT

### 1. SYNOPSIS

- 1.1 Islington is determined to achieve its vision of a “Fairer Islington”. Significant amongst these is the achievement of sound financial management and confidence in this Council’s financial future. This report sets out the Statement of Accounts for 2019-20. It demonstrates sound financial management and provides evidence to stakeholders that they should have confidence in the Council’s financial future.

### 2. RECOMMENDATIONS

- 2.1 To approve the 2019-20 Statement of Accounts, Pension Fund Accounts and the accompanying Annual Governance Statement.
- 2.2 To note the auditor’s Audit Findings Reports and Value for Money conclusion.
- 2.3 To agree the action plans of recommendations in the Audit Findings Reports.
- 2.4 To approve the letter of representation set out in Appendix B.

### **3. BACKGROUND**

- 3.1 The purpose of this report is to report the outcome of the audit of the draft Statement of Accounts that were presented to the Auditors on the 3 July 2020 and the details of the Auditor's Audit Findings Report.
- 3.2 The Committee is required to approve the Statement of Accounts by 30 November 2020, including the accompanying Annual Governance Statement (as approved at the July Committee).
- 3.3 There is also the requirement that a general letter of representation on behalf of the Council's management be provided to the Auditor.

### **4. STATEMENT OF ACCOUNTS 2019-20**

- 4.1 The Council is required to prepare financial accounts covering the period from 1st April to 31st March, each year. These statements have to be presented in the required statutory format, following the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code)*, which means that the financial information contained in the Statement of Accounts will be presented in a different way to how it is normally reported in financial monitoring reports.
- 4.2 This year's submission deadlines have been severely affected following the Covid-19 pandemic. The dates have been pushed back to allow enough time for both the Council and the Auditors to complete their respective tasks. The extra time has been welcome, especially when coordinating information required for the preparation of the accounts where staff and our external partners were busy trying to deal with the additional workload caused by the pandemic. The Council however, has risen to the challenge and is on track to be significantly ahead of the revised deadlines.
- 4.2 Between Monday 6<sup>th</sup> July and Friday 14<sup>th</sup> August, the accounts and supporting documentation were made available for public inspection. The above date later than in previous years due to the Covid-19 pandemic and was in compliance with the nationally specified social distancing requirements established by the government. During this period the Auditors have and will consider any questions or objections relating to the accounts. The relevant statutory public notice was published on the Council's website.
- 4.3 After several years of continuous major changes there were no major changes in accounting requirements or policies since the previous year.. The focus this year has been to deal with the Covid-19 challenges whilst trying to deliver a good set of accounts and supporting the auditors. The audit has shown that the Council has successfully managed these issues without impacting on the quality of the financial information.

#### **Quality Assurance**

- 4.5 As in previous years, the closing of accounts timetable, despite staff vacancies, had a process of internal quality assurance.

#### **Highlights**

- 4.7 The Statement of Accounts is a very complex document. In order to aid understanding, a presentation will be made setting out the key elements and highlights from the accounts.

- 4.8 The Statement of Accounts (including Pension Fund) are expected to receive a clean audit opinion from the Council's auditors. The Auditor has found the draft accounts submitted to audit to be on time and complete. Three changes have been made, two immaterial and one material. The first two immaterial adjustment relates to additional disclosures required for the uncertainty surrounding the valuation of property, plant and equipment (PPE) and investment properties following Covid-19. Similarly, the second immaterial adjustment relates to additional disclosures required for the uncertainty surrounding the valuations of the pension fund's private equity, infrastructure and pooled property investments due to Covid-19.
- 4.9 The material adjustment is due to a misclassification of £152.6m relating to disposal of short term investments on the cash flow and related notes in the draft accounts. This is a classification issue and the Accounts have been adjusted accordingly with no impact on the bottom line of the cash flow. The auditors were advised of the misclassification following an internal review and was not part of their audit findings.
- 4.10 No other material adjustments are proposed to the Council's Accounts.
- 4.11 The Auditors are also reporting that supporting working papers supplied during the audit were of a high quality and Council officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
- 4.12 The Statement of Accounts should be formally published with the audit opinion at the end of September and a copy will be circulated to members of the Audit committee.

## **5. AUDIT FINDINGS REPORT**

- 5.1.1 The Auditor's draft Audit Findings Reports for the year ended 31 March 2020 are attached at Appendix A. They summarise the findings of the 2019-20 audit, which is substantially complete albeit with some queries remaining at the time of writing. The auditors have advised that the outstanding queries are not significant and should not be problematic.
- 5.1.2 The Auditor will attend the meeting of the Committee to present his findings and update the Committee on any matters that may have arisen since the publication of his report. The key elements of the report are summarised below.

### **Value for Money Conclusion**

- 5.2 The Auditor intends to issue an unqualified conclusion that the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

### **Management Representation Letter**

- 5.3 It is a requirement of the International Auditing Standards for the Auditors to request a letter from the Council that sets out various representations. Appendix B sets out a draft of the letter that will be signed by the Council's Statutory 151 Officer and Chair of the Audit Committee on behalf of the Council's management. If there is any material change to the letter prior to its signing and communication to the Auditor, this will then need to be reported to the Committee.

### **Adjusted Amendments**

- 5.4 Apart from the cash flow misclassification adjustment (detailed in paragraph 4.9), the Audit Findings Report should confirm that only very minor presentational or immaterial adjustments were made to the Statements.

### **Recommendations**

- 5.6 The auditor has made a number of recommendations to further improve system controls. The Council has accepted all of these and believes it can address them in a timely manner.

## **6. IMPLICATIONS**

### **Financial Implications**

- 6.1 These are contained within the body of the report.

### **Legal Implications**

- 6.2 The Council must keep adequate accounting records and prepare an annual statement of accounts (3(3) Local Audit and Accountability Act 2014). The Accounts and Audit Regulations 2015 (SI 2015/234) set out detailed requirements for the preparation, approval and publication of the statement of accounts. The Coronavirus amendments to timetable (SI 2020/404) extend until 30<sup>th</sup> November 2020 the deadline to publish the statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) in relation to the financial year beginning on 1<sup>st</sup> April 2019.

### **Environmental Implications**

- 6.3 There are no direct environmental implications.

### **Resident Impact Assessment**

- 6.4 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment has not been carried out in this instance, since the production of the Statement of Accounts is a legal requirement.

## **7. CONCLUSION**

- 7.1 The significant effort of all concerned in producing the statement of accounts and supporting the audit has been rewarded with a clean audit sign-off and an encouraging Audit Findings Report. The Audit Committee can be confident that the Council is well positioned to continue to report its financial activities and address the recommendations made by the auditors.

## Appendices

- A Audit Finding Reports 2019-20
- B Letter of Representation
- C Statement of Accounts 2019-20 including Pension Fund Accounts
- D Annual Governance Statement 2019-20

### Background papers:

None

<b>Signed by</b>		
	Corporate Director Resources	Date September 2020

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