

AUDIT AND ACCOUNTS COMMITTEE
25 NOVEMBER 2020

APPROVAL OF THE STATEMENT OF ACCOUNTS

1.0 Purpose of Report

- 1.1 To obtain approval by an appropriate Committee of the Council's Statutory Accounts for the financial year ended 31 March 2020.

2.0 Introduction

- 2.1 In accordance with the Accounts and Audit Regulations 2015 there is a legal requirement that the Statement of Accounts for the Council receive approval by an appropriate Committee by the 31 July following the end of the financial year to which the Accounts relate. However due to disruption caused by the COVID 19 virus, legislation was passed to delay the statutory publication date of the audit opinion until the 30 November 2020. In accordance with the Council's Constitution and the remit of this Committee, the Statement of Accounts is brought to this Committee for approval. Any changes arising after the distribution of the agenda will be advised at the meeting. If these are significant they will be notified to Members as soon as they become apparent in order to allow Members to consider them prior to the meeting.

3.0 Approval of the Accounts

- 3.1 Although the regulations require the accounts to be approved by a resolution of a Committee it should be noted that approval in this context has, to some extent, a different meaning from other Committee resolutions. The Responsible Financial Officer (RFO) for the District Council, the Director of Resources – S151 Officer, retains responsibility for the preparation of the annual accounts and is required to certify that they present a true and fair view of the financial position of the Council at 31 March 2020.
- 3.2 The aim of the Regulations is for Members to demonstrate ownership of the accounting statements. In order to assist Members in having a chance to review the accounts before final adoption the Audited Draft Statement of Accounts and Annual Governance Statement were brought to the last committee, 30 September 2020.
- 3.3 There is a statutory requirement for the accounts of Arkwood Developments Ltd and Active4Today Ltd, the Council's two subsidiary companies, to be combined with the District Council's accounts to produce Group accounts which also have to be approved by the 30 November.

4.0 Changes made to the Statements

- 4.1 There is a requirement that the external auditor, Mazars, provides details of all of the errors in the financial statements that need amendment within the Report. Their Audit Completion Report was presented to members in the last committee and a subsequent Audit Completion Report – follow up letter can be found under agenda item 'External Audit Supplementary Letter to Audit Completion Report' and Appendix A.

- 4.2 The audit identified only one significant misstatement, which was detailed as per the last committee report and all relevant notes where subsequently adjusted.
- 4.3 The Audit Completion report – follow up letter identifies that 3 out of the 4 outstanding audit items have been completed with no matters to report. However, at the time of writing this report, the audit area for Pensions is currently still ongoing. This is due to the external auditors of the Nottinghamshire Pension Fund not yet replying to our auditors request for supplementary procedures, on their behalf, for additional verification and therefore our external auditors are unable to gain satisfactory assurance over the net pension liability figure within our accounts.
- 4.4 As the net pension liability figure within the Councils accounts is £71.489m, this represents a significant amount which therefore requires the assurance from the external suppliers of the figure. There will be a ‘material valuation uncertainty’ disclosed on the Pension Fund’s holding of property assets. Due to the materiality of the Councils share of net pension liability figure, the Councils’ accounts have had the following wording added into note 4 – Assumptions made about the future and other major sources of estimation uncertainty and note 39 – Post Employment Benefits;

“The Council participates in the Nottinghamshire Pension Fund (NPF). NPF property valuation as at 31 March 2020 includes a ‘material valuation uncertainty’ clause that explains that, market activity is being impacted in many sectors and the property valuation is reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.

The Council’s share of property assets, subject to the ‘material valuation uncertainty’ declaration by NPF, as set out in Note 39, is £14.9m, which is material to the Council’s financial statements.”

As the accounts have been amended to include the above wording, as per the external audit completion report supplementary letter under agenda item ‘External Audit Supplementary Letter to Audit Completion Report’, the external auditor suggests this will lead to an ‘emphasis of matters’ paragraph in their Audit Report. The proposed wording from within the supplementary letter is;

“We draw attention to Note’s X & Y of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s land, buildings and investment properties and the valuation of the Council’s share of Nottinghamshire Pension Fund’s property assets. As disclosed in Note X of the financial statements, the Council’s and Pension Fund’s valuers included a ‘material valuation uncertainty’ declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.”

- 4.5 An emphasis of matter paragraph is defined as;
A paragraph included in the auditor’s report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements.

- 4.5 In the event that the accounts are required to be updated after the approval given within this report, this report recommends that delegation be given to the S151 Officer and Chairman of this committee to be able to approve any amendments required to the accounts arising from the pension assurance letter from Nottinghamshire Pension Funds external auditors.
- 4.6 Due to the above the audit completion report supplementary letter also states that the auditors are uncertain as to whether or not they will be able to issue their audit report prior to the statutory deadline of 30 November.

Annual Governance Statement

- 5.0 The Audit and Account Regulations 2015 require the Council to carry out an annual review of the effectiveness of its system of internal control. Having considered the findings of the review members are then required to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement has been reviewed and updated for 2019/2020 and is included in the Statement of Accounts. It is reproduced at Appendix A for ease of reference.

Letter of Representation

- 6.0 The Council's letter of representation to the external auditor attests to the accuracy of the financial statements submitted to the auditors for their analysis. In essence the letter states that all of the information submitted is accurate and that all material information has been disclosed to the auditors. The letter must be signed by the Chairman of the Audit and Accounts Committee and the Responsible Financial Officer. A copy of the letter is attached for information at Appendix B.

7.0 RECOMMENDATIONS that:

- (a) Members approve the Annual Governance Statement for the financial year ended 31 March 2020;**
- (b) Members approve the Statement of Accounts for the financial year ended 31 March 2020;**
- (c) Members give delegation to the s151 Officer and the Chairman to sign a revised set of accounts if required as per para 4.5; and**
- (d) Members note that as per the previous report the s151 Officer and the Chairman have signed the Letter of Representation.**

Background Papers

Nil.

For further information contact Nick Wilson on extension 5317 or Andrew Snape, Assistant Business Manager Financial Services on extension 5523.