

24 November 2020		ITEM: 5
Standards and Audit Committee		
Audit Completion Report for the Year Ended 31 March 2020		
Wards and communities affected: All	Key Decision: Key	
Report of: Sean Clark, Corporate Director of Finance, Governance & Property		
Accountable Assistant Director: Jonathan Wilson, Assistant Director, Finance		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

This report details the findings of the external auditors from their audit of the 2019/20 financial statements.

External audit work is substantially complete and the remaining outstanding matters are the audit completion procedures and the finalisation of the audit file and statement of accounts review. External audit anticipate issuing an unmodified audit opinion on the consolidated group financial statements and the Council financial statements. The audit identified one material issue relating to an asset reclassification which has been agreed and amended with no impact on the General Fund. External audit also anticipate issuing an unmodified conclusion on the Council's use of resources and there are no exceptions to report in relation to the arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Audit have no matters to report in relation to the Annual Governance Statement as it is consistent with external audit's knowledge of the Council

The Audit Completion Report summaries the audit work, findings and conclusions, which is appended to this report.

1. Recommendation(s)

- 1.1 That the Standards and Audit Committee consider the comments of the external auditors as set out in the attached report and note their findings.**

2. Introduction and Background

- 2.1 The external audit work is substantially complete with final review and audit completion procedures pending. The financial statements further developed in 2019/20 to include the updated requirements of the CIPFA Code of Practice on Local Authority Accounting (The Code) and incorporate the group financial statements which include the financial results of both Thurrock Regeneration Ltd and Thurrock Regeneration Homes Ltd.
- 2.2 External audit are anticipating issuing an unmodified audit opinion on the 2019/20 financial statements and an unmodified conclusion on the Council's use of resources. It is expected the audit will conclude in line with statutory deadlines. The deadline for publication of the Statement of Accounts has been moved to 30 November owing to the impact of the Covid-19 pandemic.
- 2.3 Another consequence of Covid-19 is the financial statements include disclosures about a material valuation uncertainty in respect of Property, Plant and Equipment (PPE), and 'Property' assets within the Local Government Pension Scheme Assets. Consequently external audit have included an 'Emphasis of matter' paragraph in the audit report referring to material valuation uncertainty. This does not represent a qualification of the opinion but directs the reader to certain disclosures in the financial statements.
- 2.4 The Audit Completion Report sets out the external auditor findings from the work undertaken in relation to the significant risks identified in the audit plan.
- 2.5 There was one identified material error which required a reclassification between short term and long terms debtors. The financial statements have been amended to update the balance sheet with no impact on the general fund. There were unadjusted errors identified which have not been adjusted as either they have been incorporated in the current year results or they will be amended in the forthcoming year. The net impact of these may increase the general fund by £0.325m. In terms of the adjusted items there were 4 reclassifications between categories and two non-material amendments to Property Plant and Equipment.
- 2.6 The use of resources work has considered the Medium Term Financial Strategy and the assumptions which underpin this. The assumptions have been deemed to be reasonable with a prudent approach taken to addressing the identified budget gaps. The conclusion notes the Council had appropriate arrangements to manage the budget gap.
- 2.7 The work on use of resources was expanded to include an additional risk in respect of the Purfleet Centre Regeneration project. No issues have been identified that impact on the proposed conclusion.
- 2.8 The audit of the financial statements has taken place in the context of Covid-19 which has made it particularly challenging both producing and auditing the financial statements. In this context the quality of the financial statements

remained high and after final agreed amendments the useable reserves of the Council are unchanged. Officers have worked hard to support the audit process and resolve queries quickly and effectively.

3. Issues, Options and Analysis of Options

- 3.1 The External Audit Completion Report included in Appendix 1 sets out the detailed findings. There have been no issues identified which impact on the useable reserves of the Council and the General Fund reserve balance remains at £11m.
- 3.2 The detailed audit report will be presented by BDO.
- 3.3 There was one identified material change identified which required a reclassification between long term and short terms debtors. The financial statements have been amended for this with no impact on the useable reserves of the Council.
- 3.4 The financial statements have been further amended for the six items identified by audit work. Four of these differences relate to reclassifications of balance, of which one material as mentioned above, and with no impact on net assets or useable reserves. The remaining amendments relate to Property, Plant and Equipment of which two arise from small differences on the valuation calculations and assumptions, which impact the relevant asset value and the revaluation reserve only.
- 3.5 There are five unadjusted items. The most significant in value terms relates to a change in the pension valuation change following the 'McCloud judgement' – this was not amended in the prior year as the impact remained under assessment and there was clarity that the item was not material. This has now been valued and is included in the year-end pension valuation.
- 3.6 From the remaining items three have not been adjusted as it has been agreed they are not material and there is no impact on the Council's useable reserves and the final item will be re-evaluated in the current year and there is a potential benefit to the Council of £0.325m.
- 3.7 The external auditors are also required to report to members on any identified significant deficiencies in internal control. There were none identified but there are 4 other recommendations which the Council will consider going forwards.
- 3.8 The report continues the positive work from the previous year and officers continue to work to maintain the high standard of the financial accounts. The finance team has worked effectively with external audit to enable completion of the work within the statutory timescales and in the context of the challenges of an off-site audit.

4. Reasons for Recommendation

4.1 For the committee to note the findings of the external auditors and have mind to these findings when considering the Annual Governance Statement and Financial Statements later on this agenda.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 All services and senior management have been consulted in the compilation of this document.

6. Impact on corporate policies, priorities, performance and community impact

6.1 The level of resources and how they are allocated will affect the amounts available towards the Council's overall aims and objectives.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Corporate Director of Finance, Governance & Property

The statements are largely governed by the Code. The proposed unmodified opinion sets out independent confirmation of the Council's financial position as at 31 March 2020 and provides assurance over the Council's use of resources.

7.2 Legal

Implications verified by: **Tim Hallam**
Deputy Head of Law and Deputy Monitoring Officer

There are no specific implications from this report.

7.3 Diversity and Equality

Implications verified by: **Natalie Smith**
Strategic Lead Community Development & Equalities

There are no specific implications from this report.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

There are no specific implications from this report.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- There are various working papers within Corporate Finance.

9. Appendices to the report

Appendix 1 – Audit Completion Report

Report Author:

Sean Clark

Director of Finance, Governance & Property