



# B O S T O N

## B O R O U G H C O U N C I L

REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	9 NOVEMBER 2020
SUBJECT:	AUDITED FINANCIAL REPORT 2019/20
REPORT AUTHOR:	CHIEF FINANCE OFFICER
EXEMPT REPORT?	NO

### SUMMARY

This report updates members on the outcome of the audit of the Financial Report 2019/20, and seeks formal approval prior to its publication. There are some outstanding issues yet to resolve, notably the pensions statements and property valuations, therefore if any figures materially change as a result of the finalisation of the then it is requested that delegated authority is given to the Chairman of the Committee in conjunction with the Section 151 officer to make the required changes.

### RECOMMENDATIONS

That the Audit and Governance Committee:

Approve the Financial Statements 2019/20 and Annual Governance Statement for publication (Appendix A) if no adjustments are required as a result of the ongoing audit by Mazars, and that the Chairman of the Committee and the Section 151 officer sign the letter of Representation (Appendix B).

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### REASONS FOR RECOMMENDATIONS

To update members on the outcome of the audit. The Council has a statutory requirement for the Statement of Accounts to be approved prior to the annual deadline of 30th November, and the audit opinion issued.


<b>ALTERNATIVES CONSIDERED</b>
Not to receive an update.

<b>Background Papers:</b> Accounts and Audit Regulations 2015 Local Government Accounting Code of Practice 2018 Audit Commission Act 1998 (as amended)
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## **1. Introduction and Background**

- 1.1 The audit of the 2019/20 Financial Report (including the Statement of Accounts) was undertaken during late June to August and is largely complete. At the time of writing this report, officers are awaiting a final Pensions audit which includes the outcomes of the Goodwin case and the McCloud judgement relating to Pensions. The other outstanding issue is the valuation of property following the onset of the Coronavirus. Neither of these outstanding issues should affect our reserves or income and expenditure account for the year. The Financial Statements will be amended if the figures are materially different; the latest version of the Financial Statements are attached at Appendix A.
- 1.2 The Accounts and Audit Regulations 2015 require the relevant committee (the responsibility of the Audit and Governance Committee here) to approve the Statement of Accounts by 31 July, following audit.
- 1.3 The Mazars LLP International Auditing Standards (ISA) 260 report on their audit findings is presented elsewhere on this agenda.
- 1.4 Once the Accounts have been approved, the Management Letter of Representation signed, and the auditor's opinion issued, the Financial Report will be published on the Council's website.

## **2. Commentary on significant issues**

- 2.1 This year's Accounts audit process, undertaken by Mazars LLP as the Council's appointed external auditor, progressed smoothly. The list of working papers necessary to conduct the audit was presented by Mazars LLP at the start of the audit process and was discussed with officers, and a timetable of the expected milestones through the concentrated audit period was agreed prior to commencement of the audit on site.
- 2.2 The audit formally commenced in late June 2020, and officers responded swiftly to queries raised by auditors. Elsewhere on this agenda Mazars LLP present their ISA260 report, which shows the position from the audit perspective.
- 2.3 During the course of the audit, a very small number of minor presentational amendments and changes were identified, and agreed. These have been included in the audited Accounts at Appendix A.

- 2.4 More importantly, during the course of the audit it was identified that the outcome of recent Court cases (relating to national pension scheme transitional arrangements) might affect the Council's stated pension position at the year end. In addition, the valuation of properties is also being finalised as these have been affected by the Coronavirus. If the Financial Statements need to be materially amended, then they will be re-presented to this committee. If any changes are not material then it is requested that delegated authority is given to the Chairman of the Committee in conjunction with the Section 151 officer to make the required changes.
- 2.5 The auditors also plan to issue an unqualified opinion on the arrangements that the Council has in place to secure value for money.

### **3. Going Concern**

- 3.1 The CIPFA Code (para 2.1.2.9) states "an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future (see also paragraph 3.4.2.23 for bodies that follow the Code but may be discontinued without statutory prescription). Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern."
- 3.2 The revenue outturn for 2019/20 has been reported to Cabinet and is set out in the Statement of Accounts. General Fund and Earmarked reserves for the year are set out in the Statement of Accounts.
- 3.3 The Council approved the budgets for 2020-21 in February and these budgets have been reviewed during the year as a result of covid19. The Council approved Medium Term Financial Plan is also to be revised as a result of Covid19.
- 3.4 The Annual Governance Statement includes a detailed review of the effectiveness of the Council's governance arrangements. Whilst it is not possible to provide absolute assurance the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness. This Statement was reviewed by the Chief Executive, Internal Audit manager, Monitoring Officer, and the S151 Officer before the final version was produced.
- 3.5 The Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced

budget each year combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by the external auditor as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

- 3.6 The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Council's ability to continue as a going concern. At the time of writing this assessment there is no material uncertainties to respond to.
- 3.7 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a "going concern", and the Council's accounts for 2019/20 have appropriately been prepared on this basis.

#### **4. Conclusion**

- 4.1 It is pleasing to note that the auditors have commented positively upon the processes that the Council has in place to support the preparation of the statutory Statement of Accounts and the associated working papers. This helps support the assurances relating to governance of the funds used by the Council.
- 4.2 The Committee is asked to formally approve the audited Financial Report, and Statement of Accounts, which will then be published before the 30 November deadline. The audit opinion will be issued once the standard Letter of Representation has been signed.

#### **FINANCIAL IMPLICATIONS**

There are no financial implications arising as a result of this report.

#### **LEGAL IMPLICATIONS**

Accounts and Audit Regulations 2015 - there is a statutory requirement for the audited Statement of Accounts to be approved by members by 30 November annually.

**ANY OTHER IMPLICATIONS****Relationship to Corporate Plan**

Appropriate governance and internal control enables the council to deliver its priorities

**Impact on Performance**

Good financial statements are reflective of good governance.

**Human Resources**

None

**Equality Impact Assessment**

Equalities forms part of our governance and internal control framework

**Risk Management**

Risk Management forms part of our governance and internal control framework

**CONSULTATION**

n/a

**APPENDICES**

Appendices are listed below and attached to the back of the report: -

Appendix A	Audited Financial Report 2019/20
Appendix B	Letter of Representation to Mazars

**BACKGROUND PAPERS**

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

**CHRONOLOGICAL HISTORY OF THIS REPORT**

The pre-audit Financial Statements were signed by the Council's Section 151 Officer by the 31<sup>st</sup> August.