



Report to: Audit and Governance Committee, 23rd November 2020

Report of: Head of Finance

Subject: EXTERNAL AUDIT REPORT, LETTER OF REPRESENTATION AND STATEMENT OF ACCOUNTS 2019/20

1. Recommendation

- 1.1 That the Audit and Governance Committee consider the findings, recommendations and responses in the external auditor's report 'Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2020'.**
- 1.2 That the Audit and Governance Committee reviews the proposed 'Letter of Representation', endorses the content and recommends approval by the Council's statutory officers.**
- 1.3 That the Audit and Governance Committee note the draft audited 'Statement of Accounts' and recommends its formal adoption.**

2 Background

- 2.1 In July 2020, the Audit and Governance Committee received the Audit Plan for 2019/20 from Ernst Young. This identified the programme of work for the year and the approach to completing the work.
- 2.2 The Statement of Accounts includes reference to the Annual Governance Statement which the Audit and Governance Committee approved at the same July committee meeting.
- 2.3 The Audit Findings for Worcester City Council**
 - 3.1 This report covers the key issues arising from the audit of the Statement of Accounts and on the Value for Money conclusion.
 - 3.2 The key headlines from the report, **Appendix 1**, are:
 - 3.2.1 Ernst Young's work is substantially complete. They anticipate providing an unqualified audit opinion on the Statement of Accounts, and an unqualified Value for Money conclusion.
 - 3.2.3 The audit work identified two valuations of Council property that the auditors considered to be overstated.

1. The sale of the remainder of the former Park and Ride site at Perdiswell had been agreed during 2019/20 and the proceeds of £1.8m were subsequently received on 26 June 2020. The Council therefore included the property in the 2019/20 accounts at the sale value of £1.9m, believing that this best represented its value at that date. The auditors contend that this is not in accordance with the accounting standards and that the property should be held at its previous value of £0.8m and the gain on disposal of £1.1m should be reflected in the 2020/21 accounts. The appropriate adjustment to the accounts has therefore been made.
 2. The Council has set up its own temporary accommodation for homeless individuals and families at Bromyard Road. The Council's valuer valued the property at £425,000. However, the auditors consider this to be overstated by £65,000. The accounts have not been adjusted and this has been noted in the audit report as an unadjusted difference.
- 3.2.4 The Statement of Accounts and the associated working papers were produced on time, in line with the revised deadline issued due to the pandemic, and in accordance with the CIPFA Code of Practice and IFRS.
- 3.2.5 The final audited Statement of Accounts is attached at **Appendix 3**. Ernst Young acknowledged that the Council continues to have good arrangements in place to produce complete and well supported accounts by the statutory deadline.

4 Letter of Representation 2019/20

- 4.1 The draft Letter of Representation is included as **Appendix 2**. The s151 Officer will sign off this letter after making appropriate enquiries of other officers and members that they are happy with the representations that are made in respect of the audit of the Statement of Accounts 2019/20. The Members of the Audit and Governance Committee are asked to formally record whether, to the best of their knowledge, they are satisfied that the letter may be signed in good faith.

5 Statement of Accounts 2019/20

- 5.1 The Statement of Accounts 2019/20 was prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2019/20 and International Financial Reporting Standards (IFRS).
- 5.2 In accordance with regulations, the draft (unaudited) Statement of Accounts 2019/20 was approved by the Council's s151 Officer on 18 June 2020 and was made available on the Council's website. The accounts were then subject to independent audit by our external auditors; Ernst Young. The audit work took place between June and September.
- 5.3 Once formally approved by the Audit and Governance Committee, The Statement of Accounts will be placed on the Council's website.

Ward(s): All
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Background Papers: None