

BABERGH and MID SUFFOLK DISTRICT COUNCILS

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| COMMITTEE: Joint Audit and Standards Committee | REPORT NUMBER: JAC/20/15 |
| FROM: Katherine Steel, Assistant Director, Corporate Resources | DATE OF MEETING: 29 March 2021 |
| OFFICER: Melissa Evans, Corporate Manager, Finance, Commissioning & Procurement. Rebecca Hewitt, Assistant Manager – Financial Accountant Sue Palmer, Senior Finance Business Partner | |

STATEMENT OF ACCOUNTS 2019/20 AND AUDITOR'S REPORT

1. PURPOSE OF REPORT

- 1.1 This report provides an update on the audit of the Statement of Accounts for 2019/20.
- 1.2 The audit has not yet been completed and an initial joint auditor's results report for the year for Babergh District Council and Mid Suffolk District Council, is attached in Appendix A. This provides members with information about the work done to date and the plan for the completion of the audit.
- 1.3 As a result of this, the Committee will not be able to sign off the auditor's report or the Statement of Accounts for 2019/20 at this meeting, but instead can agree delegation to the Councils' S151 Officer and the Chairs to sign the accounts (including the auditors unqualified opinion) once completed.

2. OPTIONS CONSIDERED

- 2.1 This is a statutory report and there are no options to consider.

3. RECOMMENDATIONS

- 3.1 Delegation be given to the Councils' S151 Officer and the Chairs to sign the accounts (including the auditors unqualified opinion) once completed. This will include:
- 3.2 That, once complete, the joint external auditor's report for 2019/20 be approved.
- 3.3 That the Statement of Accounts for 2019/20 for Babergh District Council, produced following the completion of the audit be approved.

3.4 That the Statement of Accounts for 2019/20 for Mid Suffolk District Council produced following the completion of the audit be approved.

REASON FOR DECISION

For the Committee to approve the external auditors report and the statement of accounts for 2019/20.

4. KEY INFORMATION

- 4.1 The audit has not yet been completed at the time of preparing this report, and the Auditor, Ernst and Young, will give a verbal update at the meeting of the latest position on the work that has been completed, in progress and not yet started.
- 4.2 The Statement of Accounts included at Appendices B and C show highlighted amendments made as a result of the audit work completed so far. The Statements cannot be properly finalised until the audit has been fully completed.
- 4.3 When the audit is completed the Councils expect that there will be no significant findings to report and the Auditor to issue:
- An unqualified true and fair opinion in the financial statements; and
 - An unqualified value for money conclusion

5. LINKS TO THE JOINT CORPORATE PLAN

- 5.1 There are no direct links to the Joint Corporate Plan from this report but producing the Statement of Accounts helps to demonstrate sound financial management practices. In turn, these sound financial management practices will help support the Councils through their aims and objectives set out in the Joint Corporate Plan, including ensuring the long-term financial sustainability of the Councils.

6. FINANCIAL IMPLICATIONS

- 6.1 The audit has identified an error in relation to the accounting treatment of Community Infrastructure Levy (CIL) in both Councils' accounts. Legislation allows for the Councils to retain up to 5% of the CIL income received to cover administration costs. If the administration costs are lower than the 5%, the balance must go into the CIL pot to fund capital expenditure.
- 6.2 The review of the accounting for CIL identified that the full 5% has been retained, even when administration costs have been lower. Therefore, an adjustment is required to take the balance out of the Councils' reserves (the Transformation Fund for Babergh and Growth and Efficiency Fund for Mid Suffolk) and add it to the CIL balance. Amounts are yet to be finalised and agreed with audit but are currently expected to be £152k for Babergh and £621k for Mid Suffolk.

7. LEGAL IMPLICATIONS

7.1 There are no legal implications arising from this report.

8. RISK MANAGEMENT

8.1 This report is most closely linked to significant risk No. 13 – We may be unable to respond in a timely and effective way to financial demands and also Corporate Risk No. 5E05 – if the Finance Strategy is not in place with a balanced position over the medium term the Councils will not be able to deliver the core objectives and service delivery may be at risk of not being delivered. Key risks are set out in the following table:

| Risk Description | Likelihood | Impact | Mitigation Measures |
|--|------------|--------------|---|
| If there are material misstatements in the accounts or non-compliance with accounting requirements, then this could result in a possible 'qualified' audit opinion or unfavourable audit report. | 2-Unlikely | 2-Noticeable | Aim to obtain an unqualified 'true and fair' opinion from the external auditors as a result of: <ul style="list-style-type: none">• Clear arrangements for ensuring compliance with accounting requirements.• Analytical review of the outturn against previous year and the Budget.• Early discussion on key issues with the auditors. |
| If issues or concerns are raised by the public from the right to inspect the accounts, then this could have an impact on the Council's reputation | 2-Unlikely | 1-Minimal | Open and transparent arrangements and publication of the public's right to inspect the accounts. |

9. CONSULTATIONS

9.1 None.

10. EQUALITY ANALYSIS

10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 All Council activities are being reviewed as part of the work recommended by the Climate Change Task Group and the subsequently agreed Action Plan to support the Councils' ambition to be carbon neutral by 2030.

12. APPENDICES

| Title | Location |
|--|------------|
| (a) External Auditor's joint Initial Audit Results Report for 2019/20 | Appendix A |
| (b) Babergh District Council Statement of Accounts 2019/20 unaudited | Appendix B |
| (c) Mid Suffolk District Council Statement of Accounts 2019/20 unaudited | Appendix C |