



## **Audit & Governance Committee Wednesday, 15 September 2021**

### **ADDENDA**

#### **5. Statement of Accounts Update (Pages 1 - 4)**

2.10 p.m.

Report by the Director of Finance.

This report sets out the issues identified during the latter part of the audit and the additional work that is being undertaken, including further amendments to the accounts so the audit can be finalised.

***The Committee is RECOMMENDED to endorse the report***

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## Divisions Affected - All

### AUDIT & GOVERNANCE COMMITTEE – 15 September 2021

#### Statement of Accounts 2020/21

##### Report by Director of Finance

### RECOMMENDATION

1. The Committee is **RECOMMENDED** to endorse the report

### Executive Summary

2. A report setting out the position on the preparation and audit of the 2020/21 statement of accounts was considered by the Audit and Governance Committee on 21 July 2021. The Committee approved the Statement of Accounts for 2020/21, and the Letter of Representations for 2020/21. The timing of the Committee was during the period of public inspection which ended 6 August 2021, and the audit of the accounts had not been completed; the Committee therefore also agreed that the Director of Finance, in consultation with the Chair of the Committee, could make further changes to the Statement of Accounts 2020/21 and the Letter of Representation 2020/21 that may arise during the completion of the audit.
3. At the time of the report, it was expected the audit would be concluded by the end of August and reported to the Committee on 15 September 2021; however, the audit remains on-going, and it is not expected to be concluded until October 2021.
4. This report sets out the issues identified during the latter part of the audit and the additional work that is being undertaken, including further amendments to the accounts so the audit can be finalised.
5. As agreed by the Committee on 21 July 2021, the further amendments to be made to the accounts and to the Letter of Representation will be made by the Director of Finance in consultation with the Chair of the Committee.
6. There is no statutory deadline for the completion of an audit of the Statement of Accounts; however, section 10 item 1 of The Accounts and Audit (Amendment) Regulations 2021, (which amend the Accounts and Audit Regulations 2015), sets out the requirement on the Council to publish the final statement of accounts together with the certificate or opinion of the Auditors by 30 September 2021. As the audit will not be completed by that time, section 10 item 2 of the same Regulations applies and states the Council must -

- (a) publish as soon as reasonably practicable on or after 30 September 2021 that it has not been able to publish the statement of accounts and its reasons for this; and
- (b) publish the statement of accounts and Auditor's opinion as soon as reasonably practicable after the receipt of any report from the auditor which contains their final findings issued before the conclusion of the audit.

### **External Audit Update**

7. The External Auditors will present their draft Audit Findings report to the Committee on 15 September 2021. As reported at the last Committee there were delays in receiving valuations of Property, Plant and Equipment (PPE). The audit has subsequently identified errors with the valuations methodology that has resulted in the work needing to be redone, and the accounts amended. This work is on-going and as a result the audit cannot yet be concluded.
8. Properties are revalued on a cyclical basis, and for the 2020/21 accounts there are 66 assets under review, mainly libraries and fire stations. The Auditors challenged the obsolescence factor used in calculating the valuations, and these therefore had to be reassessed. This has resulted in a downward revaluation of £36m. Given the size of the adjustment, the Council is also required to restate the figures from previous years (2019/20 and 2018/19) where assets have been valued on a depreciated replacement costs basis and included obsolescence calculations.
9. The audit has also highlighted an error in the calculation of the valuation of Care Homes, related to rent. The external valuers have been asked to review and recalculate.
10. The process for undertaking and verifying valuations will be reviewed during October 2021 to ensure a more robust process is in place for the preparation of the 2021/22 statement of accounts.
11. As reported at the last meeting, it should be noted that the auditors have also been unable to start work on the Whole of Government Accounts (WGA) audit as the data collection tool kit has not been released by central government for 2020/21 meaning that the Council's submission is yet to be made. The auditors do not need to complete their work on WGA to reach their opinion on the audit, however this work must be completed before the audit certificate can be issued.

### **Agreed Amendments to the Draft Statement of Accounts**

12. There are further amendments to the accounts since the report to Committee in July 2021. As reported above, adjustments will be made in relation to asset valuations, including updating Note 22: Movements on PPE. These amendments do not impact on the position of the General Fund.
13. The Auditors identified an error of £1.6m with respect to an accrual included in PPE relating to the LED street lighting programme, as they were unable to verify the exact value and amount allocated against the accrual. Due to the value, this

does not require an adjustment to the accounts but will need to be included in the Letter of Representation for the audit to be concluded.

14. There is a change required to Note 53 Dedicated Schools Grant Adjustment Accounts. There is a new requirement in 2020/21 for the closing deficit balance on Dedicated Schools Grant (DSG) to be held as a separate adjustment account. The CIPFA guidance states that the overall amount should be transferred to unusable reserves. Schools' reserves which include school budgets as well as the different types of DSG monies are part of Note 44 Earmarked Reserves. As a result of the audit, an additional £0.9m from High Needs DSG needs to be moved from Earmarked Reserves to the DSG Adjustment Account.

## **Conclusion of the audit**

15. The conclusion of the audit has been delayed and is now expected to be finalised in October 2021.

## **Legal Implications**

16. The Council must ensure that arrangements are in place to comply with the Local Audit and Accountability Act 2014, Accounts and Audit Regulations 2015 as amended and statutory guidance, including the Code of Practice on Local Authority Accounting in the United Kingdom.

### **LORNA BAXTER**

Director of Finance

Background papers: Statement of Accounts report to Audit and Governance Committee 21 July 2021, agenda item 5

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