

Committee: Governance, Audit and Performance Committee

Date:

Monday, 30
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Title: UDC 2019/20 Accounts - changes from draft 1 to draft 2

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Summary

1. As Members are aware the 2019/20 accounts have not been signed off by the external auditor. Even though the accounts have not been signed off, there is still a requirement to publish accounts by 30 November 2020. This report sets out the changes between the first draft and the audited second draft.

Recommendations

2. Members note the report.

Financial Implications

3. None

Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

[The draft accounts presented to the auditor in June 2020](#)

[The second draft accounts as published on 20 November 2020](#)

Situation

1. The aim of this report is to provide assurance to members of the ongoing sound financial performance of the Council.
2. This report is written by the Director of Finance and Corporate Services who is the designated Section 151 Officer. Whilst the report has been shared with BDO they have had no input into it and the report must therefore be read in that context.
3. Whilst no material issues, in respect of the financial element of the 2019/20 audit have been identified, the external auditors (BDO) have been unable to sign off the accounts due to concerns around an internal investigation and the impact that may have on the Annual Governance Statement, which forms part of the accounts 'pack'.
4. BDO have provided the following statement

'BDO have received information that has relevance to our consideration of the Council's Annual Governance Statement (AGS) and arrangements for use of

resources (UoR). This is being investigated. Until this has concluded, we are unable to issue our opinion on the Statement of Accounts (because the opinion includes the Annual Governance Statement) or conclusion on the Council's arrangements for use of resources.'

5. Attached as Appendix One is a list of the changes, following the audit, made to the draft accounts which were published at the end of May 2020. These changes have been made in the revised draft accounts, which were published on 20 November 2020.
6. In summary, there have been two financial errors identified, totalling £125,000 which have been corrected in the revised draft (by comparison, in 2018/19 there were two errors, totalling £2.148m). In addition, there have been twelve narrative and formatting changes plus rounding and casting corrections to ensure consistency throughout the document.
7. Not included in the revised draft are three errors which are likely to be identified in the Auditor's report as 'unadjusted misstatements'. These total £627,000 (by comparison, in 2018/19 there were three errors, totalling £724,000). Unadjusted misstatements occur where, the totals are not material, but correcting the error would affect a significant number of other tables to such an extent that the auditor would need to revisit a large part of the audit.
8. It is evident from the above that, in the view of the Section 151 Officer, the 2019/20 financial audit has achieved a better outcome than the 2018/19 one. The 2018/19 audit achieved an 'unmodified audit opinion', which is a new audit term for unqualified.
9. Members are no longer required to approve draft accounts, hence the revised draft accounts are not attached to this report, but are available via a link (paragraph 4 above), and this report is to note only.

Appendix One

Item	Section	Page / Note Ref / Statement name	Change
Corrections			
1	Core Statements	Balance Sheet LT Debtors	£21K clasified as short term debtor was corrected to long term debtor
	Core Statements	Balance Sheet ST Debtors	
	Core Statements	9.2	
	Core Statements	8.2	
	Group	Balance Sheet LT Debtors	
	Group	Balance Sheet ST Debtors	
	Group	A5	
2	Group	Movement in Reserves	Correction to reflect the £104K valuation change not reflected in draft group accounts for of Rent to Mortgage properties
	Group	Balance sheet LT debtors	
	Group	CIES - Revaluations	
Format and Narrative changes			
3	Narrative report	page iv	Additional narrative on key priorities
4	Narrative report	page xv	Additional narrative on McCloud referenced
5	Group Accounts	page 2	Added further details on basis of consolidation and Code requirements for the reader
6	Group Accounts	Movement in Reserves	Group Reserve total rounded to millions (£276), not thousands (£276,000)
7	Group Accounts	A3	Narrative updated to explain change and effect
8	Core Statements	9.2	Further detail added for 'other' entities and individual category
9	Core Statements	9.4	Updated line detail to be reader friendly
10	Core Statements	16.1	presentation and inclusion of further charges included
11	Core Statements	17.1	Additional narrative around the Covid impact on pensions valuations included
12	Core Statements	17.5	Data and narrative in table realigned
13	Core Statements	17.9	Footnote detailing the McCloud adjustment added
14	Core Statements	18.1.1/2	Maturity dates added
15	Various	Various	Rounding and casting corrections
Unadjusted Misstatements			
16	Core Statements	Balance Sheet Debtors	£55k projected overaccrual based on £20k factual error in Trade waste accrual
17	Core Statements	Balance Sheet Debtors	Benefits rebate and allowance adjustment (£413k) - factual error
18	Core Statements	Unusable reserve	£159k adjustment between Capital Adjustment Account and Revaluation Reserve - factual error