



GUILDFORD
BOROUGH

James Whiteman
Managing Director

www.guildford.gov.uk

Dear Councillor

**CORPORATE GOVERNANCE AND STANDARDS COMMITTEE –
THURSDAY, 26TH NOVEMBER, 2020**

Please find attached the following:

Supplementary Information Sheet (Pages 1 - 18)

Yours sincerely

John Armstrong, Democratic Services and Elections Manager
01483 444102

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CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

26 NOVEMBER 2020

SUPPLEMENTARY INFORMATION

AGENDA ITEM 3: 2019-20 AUDIT FINDINGS REPORT – YEAR ENDED 31 MARCH 2020

Update on Audit Findings Report

Grant Thornton have issued an update on their Audit Findings Report, which is attached as Appendix 1 to this Supplementary Information sheet.

Letter of Representation:

This was omitted from the agenda but is attached as Appendix 2.

AGENDA ITEM 4: 2019-20 AUDITED STATEMENT OF ACCOUNTS

Guildford Borough Council Group Accounts 2019-20

Please see the Group Accounts attached as Appendix 3.



The Audit Findings for Guildford Borough Council

Year ended 31 March 2020

26 November 2020 – late sheet for Corporate Governance & Standards Committee



Contents



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Section	Page
1. Update on Audit Findings Report	3
Appendices	
A. Action plan - additional control finding	4
B. Audit adjustments – additional adjustments	5

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Update on Audit Findings Report

Update on audit findings

As part of our Audit Findings Report, dated 18 November 2020, we flagged that a number of areas of testing were still in progress. This reflected the fact that information in these areas was either outstanding from the Council or had recently been provided and was therefore still in the process of being reviewed by the audit team.

Since then, with the engagement of the Council we have substantively completed our work in the following areas

- Senior Officer Remuneration
- Employee expenditure
- Related Party Transactions
- Financial Instruments
- Cash flow statement
- Movement in reserves statement
- Review of second version of the financial statements
- Review of annual governance statement

Significant progress has also been made in the review of sample information for remaining areas.

In addition the group consolidation schedule and financial statements appendix, which is being presented to the Corporate Governance and Standards Committee, was provided to the auditor on 25 November. This has not yet been reviewed by the auditor.

Although no new major significant findings were noted as part of our completion of the areas above, a number of disclosure points have been identified which we communicated to management during our fieldwork. In addition, one low priority control recommendation has been noted.

As communicated in our audit findings report, delays in the initial provision of information during this audit have contributed to progress on this audit being slower than anticipated. Although a lot of progress has been made since then, we will not be able to conclude our audit until the remaining testing is completed. Our current areas in progress have been listed on the column to the right:

If additional matters arise from the completion of this work, this will be communicated to management as they arise and to Those Charged with Governance where these are significant.


Conclusion (continued)

These outstanding items include:




- Receipt of information for;
 - Property plant and equipment, investment properties – explanations to remaining auditor queries
 - Heritage assets rights and obligations
 - Residual sample queries on
 - Accounts receivable; manual journals; PPE additions; disposals; operating expenses
- Review of information recently received
 - Provisions
 - Review of Narrative report
 - Review of the group accounts appendix and supporting working papers
 - Notes to the collection fund
 - Notes to the HRA
 - Housing benefit expenditure
 - Review of sample responses provided w/c 23rd November
 - Completion of debtors and creditors testing
- Completion of manager and key audit partner review of fieldwork;
- receipt of management representation letter; and
- review of the final set of financial statements, including the group accounts appendix.

Action plan – additional control finding

We have identified one additional recommendation for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Low	<p>Employee benefit expenditure</p> <p>From the testing of starters and leavers as part of the procedures on Employee Benefit Expenditure, we identified two starters in the 2019-20 financial year where the employee did not sign their contract. HR's view is that if they start the employment they agree to the terms implicitly. Although this practice is not uncommon, we identified that beyond this there are no specific mitigations against having unsigned contracts.</p> <p>Our work did not identify any issues with respect to the validity, value or accurate processing of the HR data contained within. All forms had been correctly signed by HR.</p>	<p>Management should reiterate the need for employees to sign contracts within a set time period after starting.</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Audit adjustments – additional adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 12 - Property, Plant And Equipment (PP&E)	The impairment on AUC is shown in the Accumulated Depreciation table under 'Revaluations' but as this is an impairment it should be shown in a separate line.	Correct disclosure Management response Amended in accounts	✓
Note 8 – Officers' Remuneration	Termination Benefits: the 2018-19 cost figures don't agree to the prior year signed accounts as the 2017-18 values had been included in error.	Correct disclosure. Management response Amended in accounts	✓
Note 12 - Property, Plant And Equipment (PP&E)	Capital Commitments - The financial statements have not disclosed a figure for the 2020/21 budgeted capital commitments.	Correct disclosure. Management response To be amended in final accounts.	✓
Note 29 – Financial Instruments	The table for gains and losses shows £1.483m as being attributable to Financial Assets – fair value through profit & loss. However, the table suggests that these amounts have had an impact of that value on Other Comprehensive Income and Expenditure, whereas in fact these should impact surplus/deficit on the provision of services. We were content that the CIES treatment itself was correct, but the disclosure needs correcting.	Correct disclosure. Management response To be reviewed and amended in final accounts.	✓

In addition to these misclassification and disclosure adjustments, we have also identified a number of minor changes (such as formatting / textual corrections / clarifications) or immaterial disclosure omissions; these are not individually significant enough to warrant separate inclusion within this audit findings report and have been adjusted following discussions with the Finance team.



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Grant Thornton UK LLP
30 Finsbury Square,
London EC2A 1AG

26 November 2020

Dear Sirs

Guildford Borough Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Guildford Borough Council and its subsidiary undertakings, Guildford Borough Council Holdings Limited and North Downs Housing Limited, for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also

confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group and Council have been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance and Standards Committee at its meeting on 26 November 2020.

Yours faithfully

Name.....

Name.....

Position.....

Position.....

Date.....

Date.....

Signed on behalf of the Group and Council



Guildford Borough Council Group Accounts 2019-20

Draft, unaudited

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2019-20

Group Accounts

The Group Accounts are similar to those included in the Council's single entity statements but represent the consolidated position of the Group.

Group Comprehensive Income and Expenditure Statement

Group Movement in Reserves Statement

Group Balance Sheet

Group Cash Flow Statement

Notes to the group accounts:

- Note 1 - Overview
- Note 2 - Group accounting policies
- Note 3 - Property, Plant and Equipment

Draft, unaudited

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2019-20

Group Comprehensive Income and Expenditure Statement (CIES)

This statement shows the cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

Group Comprehensive Income and Expenditure Statement

2018-19				2019-20			
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Directorate		£000	£000	£000
10,777	(4,155)	6,622	Community Services		13,366	(4,166)	9,200
38,918	(30,302)	8,616	Finance		18,304	(623)	17,681
12,975	(2,549)	10,426	Planning & Regeneration		36,065	(23,508)	12,557
35,306	(22,064)	13,241	Environment		35,562	(29,340)	6,221
925	(34)	891	Managing Director		5,254	(1,674)	3,579
17,503	(32,082)	(14,579)	Housing Revenue Account		23,603	(32,250)	(8,647)
116,404	(91,187)	25,216	Cost of Services		132,154	(91,563)	40,591
		2,310	Other operating expenditure	4			5,896
		(13,968)	Financing and investment income and expenditure	5			3,185
		(23,541)	Taxation and non-specific grant income	6			(26,003)
		(9,984)	(Surplus) / Deficit on Provision of Services				23,669
		(13,182)	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	24			(9,235)
		17,263	Remeasurements of the net defined benefit liability	24			(11,489)
		(349)	IFRS 9 (gain) / loss on investment statutory adjustment				0
		(291)	(Upward) / downward movement on revaluation of financial instruments classified as Fair Value through Profit and Loss (FVPL)	24			0
		3,441	Other Comprehensive Income and Expenditure				(20,724)
		(6,543)	Total Comprehensive Income and Expenditure				2,945

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2019-20

Group Movement In Reserves (MIRS)

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (that is those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	GBH Ltd £'000	Total Useable Reserves £000	Unusable Reserves £000	Total Reserves £000
2019-20									
Balance at 31 March 2019	48,113	86,418	20,519	9,235	690	(772)	164,202	529,635	693,837
Movement in Reserves during 2019-20									
Total Comprehensive Income and Expenditure	(27,380)	3,872	-	-	-	-	(23,678)	20,673	(3,005)
Adjustments between accounting basis & funding basis under regulations (Note 23)	27,459	4,055	(6,588)	618	(130)	170	25,414	(25,414)	-
Increase/(decrease) in 2019-20	79	7,927	(6,588)	618	(130)	(170)	1,736	(4,741)	(3,005)
Balance at 31 March 2020 carried forward	48,192	94,345	13,931	9,853	559	(942)	165,938	524,894	690,832
2018-19									
Balance at 31 March 2018	45,490	78,247	24,141	7,991	282	(133)	156,018	531,277	687,294
Movement in Reserves during 2018-19									
Total Comprehensive Income and Expenditure	120	9,884	-	-	-	(639)	9,366	(2,823)	6,543
Adjustments between accounting basis & funding basis under regulations (Note 23)	2,503	(1,714)	(3,622)	1,244	408		(1,181)	1,181	0
Increase/(decrease) in 2018-19	2,623	8,171	(3,622)	1,244	408	(639)	8,185	(1,642)	6,543
Balance at 31 March 2019 carried forward	48,113	86,418	20,519	9,235	690	(772)	164,202	529,635	693,837

* These relate to the provision of administrative services provided by the Council to its subsidiaries.

Group Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Group.

31 March 2019 £000		Notes	31 March 2020 £000
767,596	Property, Plant & Equipment	13	780,797
3,575	Heritage Assets	14	3,575
168,427	Investment Property	15	166,827
1,774	Intangible Assets	16	2,299
45,100	Long-term Investments	30	43,109
3,665	Long-term Debtors	30	7,182
990,137	Long Term Assets		1,003,790
34,511	Short-term Investments	30	45,477
2,116	Assets held for sale	17	431
475	Inventories		439
20,558	Short Term Debtors	18	13,751
13,201	Cash and Cash Equivalents	19	14,698
70,861	Current Assets		74,796
-20,337	Short Term Borrowing	30	(44,492)
-35,318	Short Term Creditors	20	(33,501)
-2,857	Provisions	21	(3,758)
(58,512)	Current Liabilities		(81,751)
-192,665	Long Term Borrowing	30	(192,435)
-115,983	Other Long Term Liabilities	27	(113,567)
(308,648)	Long Term Liabilities		-306,002
693,837	Net Assets		690,832
164,203	Usable Reserves	MIRS	165,938
529,634	Unusable Reserves	24	524,894
693,837	Total Reserves		690,832



Claire Williams Morris, BEng (Hons), FCPFA, Cert IPSFR
 Chief Financial Officer
 Date

Group Cash Flow Statement

The Cash Flow Statement shows how the Group generates, uses and the changes in cash and cash equivalents of the Group during the reporting period. Cash flows are classified as operating, investing and financing activities.

£000		£000
OPERATING ACTIVITIES		
9,366	Net surplus on the provision of services	(23,619)
8,793	Adjustments for non-cash movements (Note 23)	63,036
(8,446)	Adjustments for items included in the net surplus that are investing and financing activities (Note 23)	(21,736)
9,713	Net cash flows from Operating Activities	17,681
INVESTING ACTIVITIES		
(34,424)	Payments for additions to long term assets	(35,755)
(65,007)	Payments for purchase of investments	(79,126)
(1,279)	Other payments for investing activities	(3,566)
6,366	Proceeds from the disposal of long term assets	15,753
102,762	Proceeds from disposal of investments	60,127
	Other receipts from investing activities	
1,441		7,667
9,859	Net cash flows from Investing Activities	(34,900)
FINANCING ACTIVITIES		
83,147	Cash receipts of short and long-term borrowing	72,000
1,280	Other receipts from financing activities	0
9,813	Other payments from financing activities	(5,047)
(109,740)	Repayments of short and long-term borrowing	(48,236)
(15,499)	Net cash flows from financing activities	18,717
4,072	Net increase/(decrease) in cash and cash equivalents	1,498
9,129	Cash and cash equivalents at the beginning of the reporting period	13,200
13,201	Cash and cash equivalents at the end of the reporting period (Note 19)	14,698

Notes To The Group Accounts

1. Overview

Guildford Borough Council chooses to deliver its services through a variety of delivery Models including in partnership with other organisations that it either has power to control or exert significant influence. This year the Council has, for the first time, produced Group Accounts that reflect the council's involvement in such undertakings.

The Group Accounts include the transactions and balances of the Council itself together with the following organisations:

- Guildford Borough Council Holdings Limited
- North Downs Housing Limited

Each of these bodies has operational independence but they are ultimately controlled by the Council and so are accounted for in the Group Accounts as subsidiaries.

The Council also controls or has significant influence over the following bodies. However, they have not been included in the Group Accounts because their transactions and balances would have no material impact on the information provided.

- The Woodbridge Road Charity
- Guildford Sportsground Management Company Limited
- Public Walks and Pleasure Grounds Charity (the Allen House Grounds)
- Burpham War Memorial Recreation Ground Charity (the Southerland Memorial Park)
- The Racks Close Open Space Charity
- Arundel House (Hamilton Fellows) Charity

Further information on the Council's business interests with organisations it controls or has influence is set out in the Related Parties note in the Council's single entity accounts.

2. Group Accounting Policies

The Group Accounts have been prepared using the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code). This is based on International Financial Reporting Standards (IFRS) and is the same basis on which the Council's single entity accounts are prepared. Please refer to the General Accounting Policies of the single entity accounts for further details.

Consolidation method

The Council and its subsidiaries have been consolidated using the 'acquisition accounting' basis. This is the full, line by line consolidation of financial transactions and balances of the Council and its subsidiary companies. To avoid overstating balances within the group financial statements, all transactions and balances between the Council and group companies are eliminated.

3. Investment property

In addition to the assets held reported in the single entity accounts, the Group Accounts include material balances for:

- Properties held by North Downs Housing Limited

The accounting policies for these assets are the same as for the single entity accounts.

As for assets held by the Council, a programme of revaluations is carried out to ensure that Investment property are measured at current value annually. Valuations are in accordance with the methodologies and bases set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations are on based on open market value for their existing use.

- All properties held by North Downs Housing Limited at 1 April 2019 were revalued by Bruton Knowles Limited, chartered surveyors.