

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Director of Resources

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## Final Audit Findings Report 2019-20

### Executive Summary

At its meeting on 26 November 2020, the Committee received the statement of accounts for 2019-20 and the draft Audit Findings Report from the Council's external auditors, Grant Thornton. At the time it was anticipated that the auditors would still sign off the accounts by the November Deadline. Unfortunately, the audit of the accounts has taken much longer than expected, partly due to the issues with working remotely during the COVID19 pandemic and partly due to 2019-20 being the first year that the Council has produced and required the audit of 'Group Accounts'.

The Council has a subsidiary company, Guildford Borough Council Holdings Ltd, which in turn has a subsidiary company, North Downs Housing Ltd. The Accounts of North Downs Housing Ltd were required to be consolidated into Guildford Borough Council Holdings Ltd and then the consolidated accounts of Guildford Borough Council Holdings Ltd were required to be consolidated, along with the Council's single entity accounts, into the Guildford Borough Council Group Accounts. This is the first year that the subsidiary companies have been of sufficient size that they required consolidation into the Group Accounts.

As part of the audit, a number of adjustments have been made to the accounts, which are detailed on pages 48 to 55 of the audit report at Appendix 1. The auditors have raised 12 further recommendations that were not reported to the Committee in November, and these can be seen on pages 31 to 35 of the attached audit report. Officers are currently considering the management responses and will report these to the Committee on the Supplementary Information Sheet to be circulated prior to the meeting.

The audit is now complete and a revised final version of the accounts has been presented to the auditors who are now ready to issue an unqualified audit opinion on the 2019-20 accounts.

## **Recommendation to Committee**

- (1) That the Audit Findings report for Guildford Borough Council for 2019-20, as detailed in Appendix 1, be noted.
- (2) That the letter of representation, as set out in Appendix 2 to this report, be approved, and that the Chairman be authorised to sign the letter on the Council's behalf.

### Reason for Recommendation:

To allow the external auditor to issue her opinion on the 2019-20 accounts.

**Is the report (or part of it) exempt from publication? No**

## **1. Purpose of Report**

- 1.1 The report asks the Committee to consider the external auditor's Audit Findings report (AFR) for the 2019-20 financial year and the issues it raises.

## **2. Strategic Priorities**

- 2.1 The audit of the Council's accounts supports the priority of providing efficient, cost effective and relevant quality public services that give the community value for money.

## **3. Background**

- 3.1 Grant Thornton prepares its AFR to meet the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice by reporting on:

- (a) the Council's financial statements; and
- (b) whether the Council has made proper arrangements for securing value for money in its use of resources

- 3.2 The International Standard on Auditing 260 requires "those charged with governance" to consider the report before the external auditor can sign off his opinion on the accounts. The statutory deadline for issuing the audit opinion is normally 31 July; however, due to the Covid pandemic, this was extended to 30 November 2020 for the 2019-20 accounts. Despite the deadline extension, there is an issue across the sector where a significant number of local authority accounts have not been signed off by the deadline due to the complexity of remote auditing.

- 3.3 The Audit is now finally complete, and Grant Thornton have issued their final audit findings report. The changes between this version of the report and the version presented to the Committee on 26 November 2020 have been highlighted in yellow for ease of reference. The auditor will provide an unqualified opinion on the Council's accounts but will include an Emphasis of Matter paragraph relating to material uncertainties surrounding the valuation of land and buildings, investment properties and the Council's share of the pension fund

investments as at 31 March 2020 due to uncertainty in valuation caused by the Covid 19 Pandemic.

- 3.4 The Council has a subsidiary company, Guildford Borough Council Holdings Ltd, which in turn has a subsidiary company, North Downs housing Ltd. The Accounts of North Downs Housing were required to be consolidated into Guildford Borough Council Holdings Ltd and then the consolidated accounts of Guildford Borough Council Holdings Ltd were required to be consolidated, along with the Council's single entity accounts, into the Guildford Borough Council Group Accounts. This is the first year that the subsidiary companies have been of sufficient size that they required consolidation into the Group Accounts.
- 3.5 As part of the audit, a number of adjustments have been made to the accounts, which are detailed on pages 48 to 55 of the audit report at Appendix 1. The auditors have raised 12 further recommendations that were not reported to the Committee in November, and these can be seen on pages 31 to 35 of the attached audit report, Officers are currently considering the management responses and will report these to the Committee on the Supplementary Information Sheet to be circulated prior to the meeting. The audit is now complete, and a revised final version of the accounts has been presented to the auditors who are now ready to issue an unqualified audit opinion on the 2019-20 accounts.

#### **4. Financial Implications**

- 4.1 There are no financial implications as a result of this report.

#### **5. Legal Implications**

- 5.1 The International Standard on Auditing (UK and Ireland) 260 requires the external auditor to report any issues arising from the audit of the Financial Statements to those charged within governance. In the Council's case, this is the Corporate Governance and Standards Committee.
- 5.2 The International Standard on Auditing (UK and Ireland) 580 requires the Chief Financial Officer to send a letter of representation to the external auditor. Appendix 2 is a draft of the 2019-20 letter of representation, which officers recommend that the Committee approves and that the chairman be authorised to sign the letter of representation on the Council's behalf.

#### **6. Human Resource Implications**

- 6.1 There are no financial implications as a result of this report.

#### **7. Conclusion**

- 7.1 The audit of the 2019-20 accounts is complete and the independent auditor intends to issue an unqualified opinion on the financial statements, which the CFO will re-certify in accordance with the Accounts and Audit Regulations 2015.

**8. Background Papers**

None

**9. Appendices**

Appendix 1: The Audit Findings for Guildford Borough Council – Final Year ended  
31 March 2020 (March 2021)

Appendix 2: Draft Letter of Representation