

**AUDIT COMMITTEE
18 NOVEMBER 2020**

ITEM NO

AUDIT OF ACCOUNTS 2019-20

SUMMARY REPORT

Purpose of Report

1. To present a report by the Council's external auditors, Ernst and Young LLP (EY), on the audit for the year ended 31 March 2020.

Summary

2. In accordance with the Accounts and Audit Regulations 2015, updated for (Coronavirus) (Amendment) regulations 2020 all Local Authorities are required to produce the draft annual Statement of Accounts by 31st August 2020 and an audited set published by 30 November 2020. These regulations have temporarily relaxed the previous deadlines for producing the draft accounts and completion of final audited accounts.
 3. The external auditors are required by the Public Sector Audit Appointments Ltd (PSAA) to report to Members issues arising from the accounts audit. The Audit Results Report details the significant findings from the audit by EY following their audit approach outlined in their audit plan presented to this committee in September 2020 (previously distributed).
 4. Members are specifically required to consider items that are classified as unadjusted audit differences, which officers propose not to adjust in the accounts. There are 2 such unadjusted audit differences and they are explained below:
 - (a) Assets Held For Sale – this is an asset that the Council has previously had up for sale but due to the current situation with Covid-19 there is no market interest and therefore should have been transferred back to Property, Plant and Equipment – This has not been amended as it is a Balance Sheet categorisation error and would not change the Net Assets or the financial position of the Council.
 - (b) Private Finance Initiative (PFI) – The PFI was for the Education Village and Harrowgate Hill Primary School and has been in operation for a number of years. The Accounting model used was procured at the start of the PFI in 2005 and although practices have moved on it is still considered to produce acceptable results. – As is stated in the Audit Results Report the overstatement has reached its perceived maximum and this will now continue to fall until the end of the PFI scheme in 2030 so management have chosen not to adjust as it is not material.
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5. EY are also required to report to management and the Audit Committee any significant deficiencies in internal control identified during their audit. In this regard, EY have not raised any significant matters.
6. EY are expected to:
 - Give an unqualified opinion on the Council's 2019/20 accounts;
 - Conclude that the Council have put in place proper arrangements to secure value for money in its use of resources.
 - Confirm that the Council's Annual Governance Statement is not misleading or inconsistent with other information known to them.
7. EY's report is attached at **Annex 1** and will be presented by a representative from EY. However, it should be noted that whilst the external auditors have substantially completed their work at the time of writing the audit is not complete. EY will give an update at the meeting.

Outcome of Consultation

8. The content of this report was not subject to consultation.

Recommendation

9. It is recommended that:-
 - a) The Auditor's Audit Results Report on the Council's 2019-20 financial statements be noted.
 - b) Members note the Letter of Representation in Appendix B of the Audit Results Report
 - c) The Audit Committee agrees not to amend the unadjusted audit differences as they are not material.
 - d) The Audit Committee is requested to approve the attached IFRS compliant Statement of Accounts at **Annex 2** for the 2019-20 financial year.

Reasons

10. The recommendation is supported as it comprises part of the Council's corporate governance arrangements

Paul Wildsmith
Managing Director

Background Papers

- (i) Council's accounts 2019-20
- (ii) EY ISA 260

Peter Carrick: Extension 5401

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond the report comprising part of the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.
Impact on Looked After Children and Care Leavers	The report does not impact upon Looked After Children or Care Leavers.
