



Coventry City Council

Public report

Audit and Procurement Committee

9th October 2023

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:

Chief Operating Officer (Section 151 Officer)

Ward(s) affected:

City Wide

Title:

Audited 2019/20 Statement of Accounts and Audit Findings Report

Is this a key decision?

No

Executive Summary:

The purpose of this report is to gain Audit & Procurement Committee's approval for the audited 2019/20 Statement of Accounts and Grant Thornton's Audit Findings Report provided alongside the accounting statements. The Audit & Procurement Committee is approving these accounts on the Council's behalf. This follows a very significant period of delay resulting in these accounts being brought much later than the original regulatory deadline of 30th November 2020.

Committee has discussed the extensive content of the accounting statements on several previous occasions. Members are advised to focus on the appended Audit Findings Report as the key document detailing the changes to previous versions and key issues which need to be addressed by the Council.

Recommendations:

Audit and Procurement Committee is recommended:

- 1) To consider and approve the final 2019/20 Statement of Accounts.
- 2) To consider and accept Grant Thornton's Audit Findings Report provided alongside the accounting statements.
- 3) To consider the Annual Governance Statement as amended and incorporated within the 2019-20 Statement of Accounts.
- 4) To delegate authority to the Chief Operating Officer (Section 151 Officer) in consultation with the Chair of Audit and Procurement Committee to agree any final changes to the Statement

in the event that any of the items outstanding with the audit are not resolved before the Committee meets on 9th October 2023.

List of Appendices included:

Appendix 1 – Final Audited 2019/20 Statement of Accounts
Appendix 2 – Grant Thornton 2019/20 Audit Findings Report

Background Papers

None

Other useful documents:

Final Accounts Working papers.

Has it been or will it be considered by Scrutiny?:

The Audit and Procurement Committee will consider the Statement.

Has it been or will it be considered by any other Council Committee, Advisory Panel, or other body?:

No

Will this report go to Council?:

No - The Audit & Procurement Committee is approving the City Council's Statement of Accounts on the Council's behalf.

Report title: Audited 2019/20 Statement of Accounts and Audit Findings Report

1. Context (or background)

- 1.1 Responsibility for approving the Council's Statements rests with the Audit & Procurement Committee, which is the key body in respect of understanding, analysing, and discussing the content of these statements.
- 1.2 Audit and Procurement Committee have been informed previously of the regulations requiring local authority 2019/20 Accounts to be audited and published by 30th November 2020. Although the Council sought to meet this requirement further work and challenges from the Council's auditors, Grant Thornton, led to delays which have become very significant and have led to an extremely protracted audit of the accounts. Formal updates on this position were provided to the Committee on 28th June 2021, 29th November 2021 and Grant Thornton provided a further verbal update to Committee on 20th March 2023.
- 1.3 Committee has been informed previously of some of the factors responsible for the delay including: practical issues with undertaking audit work in a 'virtual' way; additional work required of the auditors including that insisted upon by the Financial Reporting Council in relation to the valuation of Property, Plant and Equipment; well publicised pressure on the auditing sector which were outlined in the Redmond Review; delays elsewhere in the process, for instance in the completion of the accounts of the Council's companies; and national issues in relation to accounting for highways infrastructure assets. Despite these mitigating factors, in the final analysis it is reasonable to conclude that the majority of the lapsed time in completing the Council's accounts is as a result of errors relating to the Council's Group Accounts and property valuations.
- 1.4 Although a previous report obtained delegated approval for the final Statement of Accounts to be approved by the Section 151 Officer in consultation with the Chair of Audit and Procurement Committee, the extent of the changes made since the previous draft notified to Committee have led to the conclusion that it is more appropriate for these changes to be considered formerly by a full meeting of Committee.

2. Options considered and recommended proposal

- 2.1 This report and the Statement of Accounts are presented alongside the Audit Findings Report of the Council's external auditors Grant Thornton which details the significant changes to the draft accounts published in November 2020. These changes have been agreed between Grant Thornton and the Chief Operating Officer (Section 151 Officer). The Audit and Procurement Committee is being recommended to approve the Statement of Accounts and endorse the Audit Findings Report. A marginal change (in relation to the delay in completing the accounts) has also been made to the Annual Governance Statement (AGS) approved previously by Audit and Procurement Committee, which is now being asked to re-approve the AGS with these marginal amendments.
- 2.2 At the time of writing, the intention is for a final Statement of Accounts and Audit Findings Report to be presented to members. However, should there be any late changes or issues outstanding when the Committee meets and which are not judged to be material, Committee is recommended to delegate the approval of such changes to the Chief Operating Officer in consultation with the Chair of Audit and Procurement Committee.
- 2.3 A decision not to agree these recommendations would result in further delay to the Council having an approved accounting statement.

3. Results of Consultation Undertaken

3.1 None

4. Timetable for implementing this decision

5.

4.1 If Committee approve the report the final Statement of Accounts will be published on the Council's website with almost immediate effect.

5. Comments from the Interim Chief Executive (section 151 Officer) and the Chief Legal Officer

5.1 Financial Implications

There are no regulatory penalties for missing the accounting deadlines although both the Council's finance team and its auditors have been involved in significantly greater work on the accounts than is normal and at an additional audit cost of c£200k. The delay gave rise to a risk that the Council does not have sufficient understanding of its financial position. The reality is however that the errors and adjustments highlighted are not ones that affect the Council's underlying financial position, so this risk has not crystallised in a material way.

The delays have highlighted several areas where the Council should seek to make improvements to its performance, structure, and processes in particular in relation to its group accounting and property asset valuations. A new dedicated post has been created to tackle group accounting providing both expertise and capacity in this area. In terms of property valuations, work has been under way over the Summer to improve understanding, processes and working practices across the Council's finance and property teams and with the Council's externally procured valuer.

5.2 Legal Implications

The 2019/20 Accounting Statement is governed by the Accounts and Audit Coronavirus (Amendment) Regulations 2020 which required the accounts to be approved and published by November 2020. Wider regulations regarding the publication of accounts require councils to publish an explanatory notice on its website in the event of missing such deadlines. The Council has complied with the requirement to post a notice.

Although the Council is one of only a small number for which the 2019/20 accounts remain outstanding, a large number of local authority accounts (numbering in the hundreds) for later years, remain outstanding. This reflects some systemic issues with the nature of local authority accounting and the processes for auditing them which have been much discussed within the sector.

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