



REPORT OF:	INTERIM HEAD OF FINANCE
AUTHOR:	PAT MAIN
TELEPHONE:	01737 276063
E-MAIL:	Pat.Main@reigate-banstead.gov.uk
TO:	OVERVIEW & SCRUTINY
DATE:	17 OCTOBER 2019
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	FINAL REPORT FROM THE EXTERNAL AUDITORS ON THE 2018/19 STATEMENT OF ACCOUNTS (ISA 260 REPORT) AND PUBLISHED STATEMENT OF ACCOUNTS
RECOMMENDATIONS:	
<ul style="list-style-type: none"> (i) That the final report from the external auditors (ISA 260) on the 2018/19 audit be noted (Annex 1). (ii) That the published version of the Statement of Accounts be noted (Annex 2). 	
REASONS FOR RECOMMENDATIONS:	
<p>As in previous years Overview & Scrutiny Committee is asked to consider the external auditor's report on the 2018/19 statement of accounts. A copy of the published final version of the accounts is attached for information</p>	
EXECUTIVE SUMMARY:	
<p>The ISA 260 report from the Council's external auditors (Deloitte LLP) summarises the conclusions and significant issues arising from their audit of the 2018/19 Annual Financial Report.</p> <p>A draft of the report was presented to Executive on 18 July 2019 and the final version was approved by the Leader under delegated authority on 30 September 2019. The Leader and the Chief Finance Officer also signed the final version of the statement of accounts 2018/19 on that day. The ISA260 is appended as Annex 1, and the audited Statement of Accounts as Annex 2.</p> <p>The approved statement of accounts, including Deloitte's audit opinion, was published on the statutory publication deadline of 30 September 2019.</p> <p>This report includes an explanation of the outcome of the audit, the lessons learnt and the action that is now in progress to prepare for 2019/20 closedown.</p>	

STATUTORY POWERS

1. The Council is required to produce an annual Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.
2. The *International Standard on Auditing 260 (ISA 260 - Communication of audit matters to those charged with governance)* provides standards and guidance on the communication of audit matters between the auditor and those charged with governance.
3. Under the Council's Constitution this function has been delegated to the Executive.

ISSUES

ISA260 Report 2018/19

4. The Council's External Auditors (Deloitte LLP) are required to issue their report to those charged with governance (ISA260) which sets out the conclusion of their audit work and their opinion on the financial statements for the year ended 31 March 2019.
5. As reported to Executive on 18 July, officers have worked closely with Deloitte since they commenced work on site on 10 June.
6. A draft version of the ISA 260 was tabled at the 18 July meeting by way of an addendum to the agenda previously published. Deloitte were in attendance to present their findings and respond to Members' questions.
7. The final version of the ISA260 was received from Deloitte following conclusion of their audit work. This version was approved by the Leader under delegated authority on 30 September 2019.
8. The approved statement of accounts, including Deloitte's audit opinion, was signed and published on 30 September 2019, being the statutory deadline.
9. Copies of the published ISA260 and Statement of Accounts for 2018/19 are attached at Annexes 1 and 2.

Audit Completion

10. The 2018/19 audit was the first undertaken within the contract with Deloitte. The Council's team therefore had to establish an effective working relationship with its new auditors. Challenges for Deloitte including working to the new audit specification a defined by Public Sector Audit Appointments (PSAA) at a time of nationwide shortfalls in appropriately skilled and experienced public sector auditors. This added significant challenges to the process for both parties. We understand that Reigate & Banstead's experience in this regard was very similar to that of authorities across Surrey and beyond.
11. The audit was challenging for a number of reasons ;
 - Like all public sector bodies, the Council's pension liability in the accounts was subject to very late reporting changes as a consequence of the McCloud legal case (relating to potential discrimination in the implementation of transitional protections following changes in public sector pension schemes) in July 2019.
 - Some information from third party suppliers, relating to asset valuations included errors that had to be rectified during the audit.

- Significant time was required to resolve changes to disclosures identified during the audit.

Closedown and Audit 2018/19 – Lessons Learnt

12. As this was Deloitte's first year as external auditors it invariably brought new perspectives on the Council's approach to preparing the accounts and the underlying control systems. Not unsurprisingly this highlighted new areas for development and improvement going forward.
13. Whilst Deloitte acknowledged the Council's Statement of Accounts were prepared with '*relatively more preparation than we have seen in a number of other local authorities*', some areas for development were identified. These are summarised below:

Area for Development	Lesson Learnt and Action Planned for 2019/20 Closedown
Valuation of Property Assets	Specialist accounting support has been commissioned and they are currently working with the Finance team to develop fixed asset processes and help develop their technical knowledge, to mitigate the risk of future valuation and posting errors.
Quality of draft Statement of Accounts	<p>The Finance team is introducing additional control measures to help improve the quality of the Statement of Accounts:</p> <ul style="list-style-type: none"> • documenting and reviewing use of CIPFA disclosure checklists • completion of the CIPFA 'pre-audit checks on draft year-end accounts' checklist • documenting and reviewing cross-referencing of the draft financial statements to supporting working papers

IT Internal Control and Risk Management

14. The Head of IT has been consulted on the points raised by Deloitte relating to IT internal control and risk management and will be following up their recommendations.

LEGAL IMPLICATIONS

15. There are no legal implications as the statutory audit completion and publication deadline of 30 September 2019 was met.

FINANCIAL IMPLICATIONS

16. Although not yet quantified, Deloitte have indicated that their audit fee is likely to be increased as a consequence of delay.

EQUALITIES IMPLICATIONS

17. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

18. There are no communications implications arising from this report. The auditor's report and the 2018/19 statement of accounts have been published on the Council's website.

RISK MANAGEMENT CONSIDERATIONS

19. There are no risk management implications arising from this report.

CONSULTATION

20. The Executive Member for Finance established and chaired a Member advisory panel during the preparation of the Annual Financial Report. The Panel considered the draft statement of accounts and had an opportunity to raise questions with the officers responsible for preparing them.

POLICY FRAMEWORK

21. There are no policy implications arising from this report

Background Papers:

Executive 18 July 2019 *Report from the External Auditors on the 2018/19 Statement of Accounts (ISA 260 Report)*

Executive 18 July 2019 *Statement of Accounts 2018/19*

Annexes:

Annex 1 - Report on the 2018/19 Statement of Accounts (ISA 260 Report)

Annex 2 – Published Statement of Accounts 2018/19