

STOCKPORT METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE – 9 September 2020

2019/20 Statement of Accounts

Report of the Corporate Director – Corporate and Support Services

1 Introduction

- 1.1 Mazars LLP are the Council's external auditors and have undertaken the audit of the Council's 2019/20 Statement of Accounts.
- 1.2 The Council's draft unaudited 2019/20 Statement of Accounts were made available to the Auditor on the 19 June 2020. The accounts have again been prepared to a high standard demonstrating the Council's robust financial management and providing assurance that public resources have been used and accounted for appropriately.
- 1.3 The Audit Committee is asked to consider the issues that have arisen during the audit. The final audited 2019/20 Statement of Accounts are presented in a separate document included on this agenda (Appendix One). Amendments made to the draft accounts as part of the external audit process are highlighted throughout this document.

2 COVID19 Impact on Reporting Deadlines

- 2.1 The Accounts and Audit Regulations 2015 state that draft unaudited accounts must be made available for public inspection during the first ten working days of June, which means that the draft unaudited accounts must be published by 31 May following the financial year being reported. The regulations also set out that the publication date for audited accounts is 31 July. However, as a result of the COVID19 pandemic, the Ministry of Housing, Communities and Local Government (MHCLG) acknowledged the difficulties that local authorities would have in achieving the existing deadlines and issued an amendment to these Regulations for the 2019/20 Statement of Accounts.
- 2.2 MHCLG removed the requirement for the public inspection period to include the first ten working days of June. Instead, the public inspection period must commence on or before the first working day of September 2020. This means that the draft unaudited accounts must be approved for publication by 31 August 2020 at the latest. As the requirement for a common inspection period has been removed, the publication of the draft unaudited accounts may be published earlier.
- 2.3 The amendment to the regulations also moved the publication date for audited accounts from 31 July to 30 November 2020.
- 2.4 The preparation of the Statement of Accounts is a major undertaking and work was well underway by the time the amended regulations were

published. Although Council Officers adapted quickly to the new ways of working, the impact of COVID19 lockdown measures meant that there were inevitably going to be delays in producing the Statement of Accounts. After discussions with our external auditors, we agreed that the approved draft unaudited accounts would be published on 19 June 2020, just three weeks behind the original deadline and well ahead of 31 August deadline.

3 Key Issues for 2019/20

- 3.1 Each year CIPFA introduce new accounting standards and amendments to existing accounting standards as well as other improvements to the Local Authority Accounting Code of Practice. There are no significant changes for the Council's Accounts for 2019/20.

4 Adjustments and Updates to the 2019/20 Draft Statement of Accounts

- 4.1 The Auditor has not identified any material adjustments to the Council's draft 2019/20 Statement of Accounts in the course of their audit work at the time of writing this report. This is a significant achievement for the Finance Team, as the task to prepare the Council's accounts and comply with international accounting standards and the CIPFA Code of Practice continues to be a very challenging one. In addition, the Finance Team have been able to do this whilst dealing with the challenges of working remotely during the COVID19 pandemic lockdown period.
- 4.2 As part of this year's audit process, the Statement of Accounts has undergone a series of audit reviews, including reviews by the external audit team, Mazar's technical audit team and the Audit Manager. As a result of this, there are a number of disclosure adjustments to the draft Statement of Accounts and all changes are highlighted in the document, which can be found at appendix one. Most of the changes made are minor disclosure adjustments. Details of the more significant disclosure changes are detailed below:
- Note 15 Financial Instruments – the unquoted equity investment in Manchester Airport of £1.870m, which was the first tranche of the investment made at the end of the 2019/20 financial year, was originally placed under Financial Assets valued at Historic Cost. Going forward the total investment will be valued at Fair Value through Other Comprehensive Income as there can be no change to the categorisation within financial assets the initial investment of £1.870m has been moved to the Fair Value through Other Comprehensive Income category;
 - Note 35 Leases – the operating leases table where the Council is lessor has been updated to include Manchester Airport land rental income. As with the Manchester Airport Group shareholding, the land rental is common to all the Greater Manchester Authorities and has not previously been included in the lease note by most of these Authorities.

- 4.3 Whilst the audit of the 2019/20 Statement of Accounts is substantially complete, at the time of writing this report the Auditors were still finalising their work, details of which can be found in the Auditor's Audit Completion Report elsewhere on this agenda. The outstanding work includes valuation testing on Property, Plant and Equipment and Investment Property, and a letter of assurance from the auditor of the Greater Manchester Pension Fund. These are significant items, which potentially could result in a material change to the Statement of Accounts.
- 4.4 As these outstanding items may not be resolved by the time of the Audit Committee meeting, it is recommended that this Committee considers the Statement of Accounts 2019/20 and that it delegates responsibility for the final approval of the Council's 2019/20 Statement Accounts to the Corporate Director – Corporate and Support Services, in consultation with the Chair of the Audit Committee once advised to do so by the External Auditor. However, in the event that there are material changes required as a result of the completion of the outstanding audit work then the Audit Committee meeting would need to reconvene to approve the revised Statement of Accounts.
- 4.5 As required by legislation, a copy of the draft accounts has been published on the Council's website for inspection by interested parties since 19 June 2020. The audited 2019/20 Statement of Accounts will be published following approval and will replace the draft unaudited version on the Council's website.
- 4.6 At the time of writing this report, the objection received from a member of the public against the 2018/19 Statement of Accounts was still open. The External Audit investigation into this matter is complete. A draft statement of reasons was issued to both the local objector and the Council and following responses from both and comments from legal advisors, the External Auditor is now in the process of drawing up the final notice to the objector, after which this matter will be closed.

5 Recommendation

- 5.1 The Audit Committee is asked to:
- Consider the Council's 2019/20 Statement of Accounts;
 - Note the Management Letter of Representation (Appendix Two); and,
 - In the event of no material changes as a result of the outstanding audit work, delegate the approval of the 2019/20 Statement Accounts to the Corporate Director – Corporate and Support Services in consultation with the Chair of the Audit Committee on receipt of advice from the External Auditor.