



Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Audit Committee
Date:	19 March 2021
Subject:	Update on Accounts 2019/20

Summary:

The external audit of the Statement of Accounts 2019/20 is not yet complete. This report provides an update on progress towards completion of all work outstanding on these accounts. The report also seeks the approval of the Audit Committee to delegate its usual responsibilities for the Statement of Accounts to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee, so that these responsibilities can be carried out after this meeting.

Recommendation(s):

That the Audit Committee delegates to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee, the responsibility for:

1. Considering the Audit Completion reports of the External Auditor regarding their audit work on the Statement of Accounts 2019/20.
2. Approving and signing the Letters of Representation on behalf of the Council to enable the Audit Opinion to be issued following the report of the External Auditor.
3. Approving the audited Statement of Accounts for 2019/20.

1. Background

- 1.1 The Audit Committee last received a report on the Statement of Accounts 2019/20 at its meeting on 28 September 2020. At that time, draft audit completion reports had been submitted by the external auditor (Mazars) and audit work on the accounts was largely complete. We were expecting to publish the accounts on the Council's website by the statutory deadline of 30 November 2020.
- 1.2 On 19 November 2020, Mazars notified us of a query relating to the valuation of our Energy from Waste facility in the accounts. This facility is a

specialised asset and the method of valuation had been determined when the facility came into use in 2014 and had not previously been queried by the external auditors. Mazars' technical review team raised the issue. Following discussions between Mazars and senior officers, it was concluded that it was unclear as to whether or not our accounting valuation did comply with the accounting Code of Practice. As the value is a material amount at £98.8m, we agreed to obtain a new valuation from a specialist valuation company. We also published a notice on our website alongside the draft accounts, which excluded the audit opinion, explaining why the publication of the audited accounts was delayed.

- 1.3 A valuation company was engaged following competitive quotations and work began in January. We have now received a valuation from them and have sent the valuation to Mazars for review by an independent specialist valuation company that they have engaged. The amount of the new valuation is £92.1m, which is £6.7m less than we had accounted for. As this is not materially different (our level of materiality for the 2019/20 accounts was £22.1m), we have agreed with Mazars that we will not amend our 2019/20 accounts. Instead we will reflect this new valuation in the 2020/21 accounts, taking into account our usual reviews of property, plant and equipment valuations.
- 1.4 At the time of writing this report, work was on-going to review any potential events since the draft accounts were published, which would need to be reflected in the accounts, and to conclude the audit work on the new valuation. Once all work is complete, Mazars will issue their audit opinion, the letters of representation and their audit completion report. This is likely to happen after the date of this committee meeting.

2. Conclusion

- 2.1 The finance team will implement new processes for the valuation of the Energy from Waste facility for the 2020/21 closure of accounts process, to ensure that this query does not arise again in future years.
- 2.2 As external audit outputs are likely to be after this committee meeting, arrangements will need to be put in place to allow for the necessary approvals and signing to take place. These are detailed in the Recommendations section of this report.

3. Consultation

a) Risks and Impact Analysis

N/A

4. Background Papers

No Background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Michelle Grady, who can be contacted on 01522 553235 or michelle.grady@lincolnshire.gov.uk .

This page is intentionally left blank