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| AUDIT AND GOVERNANCE COMMITTEE | AGENDA ITEM No: 8 |
| 27 NOVEMBER 2020 | PUBLIC REPORT |

AUDITED STATEMENT OF ACCOUNTS 2019/20 AND EXTERNAL AUDITORS REPORT

1.0 PURPOSE

1.1. The purpose of the report is to:

- (a) Receive and approve the final Statement of Accounts 2019/20
- (b) Receive and approve the Annual Governance Statement 2019/20
- (c) Receive and approve the Management Representation Letter 2019/20
- (d) Receive and note the External Auditors report 2019/20

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| <u>DECISION REQUIRED</u> | |
| Lead Officer: | Jon Alsop – Head of Finance (S73) |
| The Audit and Governance Committee is recommended to: <ul style="list-style-type: none">(a) Receive and approve the final Statement of Accounts 2019/20(b) Receive and approve the Annual Governance Statement 2019/20(c) Receive and approve the Management Representation Letter 2019/20(d) Receive and note the External Auditors Report 2019/20 | |

2.0 BACKGROUND

Approval of the Audited Statement of Accounts 2019/20

2.1. According to their Terms of Reference, the Audit and Governance Committee shall:

No. 3.2 – Approve the annual statement of accounts.

No. 3.4 – Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances.

No. 3.12 – Review the annual accounts.

No. 3.13 – Consider the annual external audit of the Combined Authority’s accounts, including the Annual Audit Letter, assessing the implications and monitoring managers’ responses to concerns.

No. 3.14 – Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board.

No. 3.15 – Consider any issues arising from the External Auditor’s audit of the accounts.

- 2.2. Due to the impact of COVID-19 on local authorities, MHCLG amended the publication date for final, audited, accounts from 31 July (for Category 1 authorities) to 30 November 2020 for all local authority bodies.
- 2.3. At the meeting of 31 July 2020, the Committee reviewed the draft Statement of Accounts. The Committee suggested a number of changes to be made to the statement of accounts before they were published as ‘draft’ on the Combined Authority’s website on 27th August 2020, together with the notice of the exercise of public rights.
- 2.4. The period for the exercise of public rights ended on 9 October 2020. No-one exercised their rights during this period.
- 2.5. Since the publication of the draft Statement of Accounts a small number of adjustments have been identified, none of which impact on the General Fund balance. The current version of the Statement of Accounts is attached at Appendix A, and a summary of the changes since the published draft accounts is attached at Appendix B.
- 2.6. In accordance with the Accounts and Audit (2015) Regulations and the Committee’s terms of reference, following the conclusion of the audit, the Committee must approve the Final Statement of Accounts and Annual Governance Statement ahead of their publication by 30 November 2020.

Audit of the Accounts

- 2.7. Ernst & Young LLP (EY) have been auditing the draft Statement of Accounts and will present their findings to the Audit and Governance Committee. Their statutory report is attached at Appendix C.
- 2.8. EY’s report also covers the Mayor’s request to provide a view on the Authority’s governance arrangements in the context of the letter received from the Minister for Regional Growth and Local Government (MRGLG). EY’s response to the Mayor is attached at Appendix D.
- 2.9. At the time of publication of papers for this meeting, the audit is substantially complete. In the event that any changes are required to the accounts between the meeting and the publication deadline, delegated authority will need to be

given to the Audit and Governance Committee Chair to approve these changes if the publication deadline is to be met.

Management Letter of Representation

2.10. The Chief Finance Officer (S73) is required to make representations on behalf of the Combined Authority in a number of areas in relation to the preparation of the Statement of Accounts. EY also require this letter to be signed by the Chair of the Audit and Governance Committee. The draft letter is attached at Appendix E for review by the Audit and Governance Committee.

3.0 FINANCIAL IMPLICATIONS

3.1. The fee for the planned code work is £26,950. EY's proposed uplift is £2,695 and additional fees are expected to be between £18,900 and £19,800. The total audit fee for the year is therefore expected to be between £48,545 and £49,545. Last year's total fee was £35,350, and the estimate of 19/20 fees provided to the 2 October 2020 meeting was between £38,645 and £45,645.

The additional fees cover the following:

Value for Money Conclusion significant risk - £5,750

Significant risk – incorrect capitalisation - £1,000 to £2,000

IAS 19 audit of pension disclosures - £3,700

Correspondence from the public - £3,050

New since 2 October 2020:

Impact of Covid 19 - £1,500

Mayor's request in respect of correspondence with MRCLG - £3,900

3.2. Additional Fees need to be agreed with CPCA and Public Sector Audit Appointments

4.0 LEGAL IMPLICATIONS

4.1. As set out in the body of the report.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

6.1. Appendix A – Statement of Accounts 2019/20

6.2. Appendix B – Schedule of changes since published draft accounts

6.3. Appendix C – Audit Results Report for the Year Ended 31 March 2020

6.4. Appendix D – EY Response to CPCA Mayor

6.5. Appendix E – Management Letter of Representation

| <u>Source Documents</u> | <u>Location</u> |
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