

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 4
<b>25 JANUARY 2021</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr Seaton - Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter - Director of Corporate Resources	Tel. 384564

<b>AUDIT OF STATEMENT OF ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA260)</b>
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<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> Peter Carpenter - Director of Corporate Resources	<b>Deadline date:</b> 25 Jan 2021
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Note the 2019/20 External Audit of the Council's Statements of Accounts update from EY and next steps.</li> <li>2. Following this update to re-delegate to the Chairman to approve final changes to formally sign off the final Statement of Accounts following final EY audit actions</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Audit Committee following a referral from the S151 Finance Officer.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is for Audit Committee to:

- Receive an update on the progress of the External Audit by EY LLP of the Council's 2019/20 Statement of Accounts
- Inform the Committee that the results of the External Audit will follow in a supplementary report to this meeting
- Provide delegate authorisation to the Director of Corporate Resources and chairman to formally sign off the final Statement of Accounts following final EY audit actions.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No.

*2.2.1.18 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.*

*2.2.1.19 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.*

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	n/a
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### 4. BACKGROUND AND KEY ISSUES

#### Statement of Accounts 2019/20

- 4.1 On 16 November 2020 Audit Committee received the draft 'Audit Results report year ended 31 March 2020' as issued by EY, the Council's external auditors. This was considered by Committee as part of the regulations that require the Council's Section 151 officer to recertify the accounts (from those certified in July) and for the Audit Committee to approve the Accounts no later than 30 November 2020 following, and in the knowledge of, the audit findings.
- 4.2 As part of the report from the 16 November 2020, 4.10 it was noted that:
- At the time of reports publication to Committee, EY reserve the right to finalise the audit of Statement of Accounts by the deadline of 30 November 2020 (see Section 1 - Executive Summary, page 5). There are no concerns regarding completing the outstanding items which are under the control of the Council and EY. If there are further updates required to the version 12 of the Statement of Accounts distributed with this agenda, then the revised document together with a schedule of updates will be tabled at the meeting. If there are subsequent further minor amendments Audit Committee members will be notified and the delegation to the Chairman to approve further changes if needed before the deadline of 30 November 2020 will be exercised (if delegation is approved at this meeting).*
- 4.3 The Statement of Accounts audit was not completed by EY by the deadline of 30 November 2020. On review of the audit files prior to audit sign off, EY's Associate Partner raised additional queries to Council officers with regards to the loan made to ECS Peterborough 1 LLP (known as the Empower loan). As at the 31 March 2020 this loan arrangement is shown as a short-term debtor in the Council's balance sheet which reflected the repayment terms of the loan at that point in time. The following point provides background as to the nature of the loan.
- 4.4 In December 2014 the Council entered into a strategic partnership agreement with Empower Community Management LLP to deliver solar panels on residential properties. As part of this arrangement and subsequent additions to the original scheme, the Council invested capital funds totalling £23m which resulted in over 7,700 rooftop installations which have been providing free electricity for the householder. The Empower Loan is fully secured over the solar rooftop assets of ECS Peterborough 1 and is returning a commercial rate of return to the Council.
- 4.5 On 21 September 2020 Cabinet considered and approved a report titled 'Amendment to arrangements with Empower'. The purpose of this report was to:
- Receive an update on the progress of the refinancing of the Council's loan facility provided to ECS Peterborough 1.
  - To authorise the amendment of the current loan facility from a construction loan facility to a long term loan facility.
- This decision was subsequently considered at Council on 21 October 2020.

- 4.6 Following the additional queries raised, Council officers and EY have been in liaison as to whether further disclosures are required to the 2019/20 Statement of Accounts in the form of an additional note in recognition of a 'Post Balance Sheet Event', (IAS10). Application of this accounting standard states that:

*IAS 10 Events After The Reporting Period contains requirements for when events after the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period (the latter being disclosed where material).*

- 4.7 The Council's accounts were closed with the best knowledge known at the time of the 31 March 2020. The condition existing at this time is the Coronavirus pandemic which influenced the refinancing activity being undertaken at this time in relation to the loan. As noted in the Cabinet report, 21 September 2020 -

*Global Tower Solutions had concluded their due diligence on the portfolio and were in a position to proceed, however their long term funding facility, from which this project was to be financed, was put on to hold due to the COVID-19 emergency. Due to the uncertainty within the financial markets at this time the Council requested its financial advisor, Deloitte LLP to undertake a review of the loan and the facility.*

Additional information will be provided to the Audit Committee as to the resolution of this issue.

- 4.8 The delay in final audit approval is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404.

Therefore this notification explains, as per Regulation 10 paragraph (2a), that EY LLP were not able to publish the Council's audited 2019/20 final Statement of Accounts in line with publication date of 30 November 2020, as per paragraph (1).

## **5. ANTICIPATED OUTCOMES OR IMPACT**

- 5.1 To receive and approve the audited 2019/20 Statement of Accounts
- 5.2 To receive an update to the 'Audit Results report year ended 31 March 2020' as issued by EY and considered by Audit Committee on 16 November 2020.

## **6. REASON FOR THE RECOMMENDATION**

- 6.1 Paragraph 2.2.16 of the Constitution requires the Audit Committee to "review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council."
- 6.2 It is a statutory requirement under the Accounts and Audit Regulations 2015.

## **7. ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 The Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom in compliance with the Accounts and Audit Regulations 2015. The only alternative option would be non-compliance with statute which is rejected.

## **8. IMPLICATIONS**

### **Financial Implications**

8.1 See main report.

### **Legal Implications**

8.2 None.

### **Equalities Implications**

8.3 None.

## **9. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

Cabinet 21 September 2020, Item 6 - Amendment to arrangements with empower

Council 21 October 2020, Item 10 - Record of executive decisions made since the last meeting

Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404.

<http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made>

[https://www.legislation.gov.uk/uksi/2020/404/regulation/2/made.](https://www.legislation.gov.uk/uksi/2020/404/regulation/2/made)

9.1 The Accounts & Audit Regulations 2015  
Council Constitution