

---

REPORT OF THE CHIEF FINANCE OFFICER

---

TO THE AUDIT & ACCOUNTS COMMITTEE  
ON WEDNESDAY, 25 NOVEMBER 2020

---

TITLE           **AUDIT OF 2019/20 STATEMENT OF ACCOUNTS**

---

RECOMMENDATIONS

It is recommended that members:

- a) Consider the contents of the auditor's Audit Findings report and this complementary report and, should they wish, request further detail on any issue of concern;
  - b) Authorise the changes to the statement of accounts outlined in the audit findings report;
  - c) Authorise the committee chair to sign the statement of responsibilities within the statement of accounts and the letter of representation
  - d) Note the representations to be made by the Chief Finance Officer (Appendix B)
- 

EXECUTIVE SUMMARY

This report comments on the external auditor's audit of the 2019/20 statement of accounts, and provides supporting information to the auditor's report *The Audit Completion Report for Salford City Council* also being considered by this committee. In general, we agree with the external auditor's findings in the report and have made amendments to the unaudited version of the 2019/20 statement of accounts accordingly.

We also welcome the findings in the *Value for Money* section of the auditor's report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

---

BACKGROUND DOCUMENTS

Final accounts working papers in the Finance Division

---

ASSESSMENT OF RISK

The Chief Finance Officer ensures that the Finance division has robust processes for preparing the statement and handling queries arising in the audit. Accountants and external auditors work together to ensure that the statement is accurate, both to demonstrate accountability and to provide a sound base for planning subsequent years' finances. Accordingly, the risk is assessed as low.

SOURCE OF FUNDING

The statement of accounts shows how the financial resources of the council have been utilised in 2019/20 and the financial position of the council at 31 March 2020. The audit fees and the cost of producing the statement are met from the Finance division's revenue budget.

#### LEGAL ADVICE OBTAINED

Legal advice is required and sought in the production of certain supporting information for the statement.

#### FINANCIAL ADVICE OBTAINED

This report and the statement of accounts have been produced by the Finance division.

#### CONTACT OFFICER

Tony Thompstone x2016

#### WARD(S) TO WHICH REPORT RELATE(S)

All

#### KEY COUNCIL POLICIES

Budget strategy; capital programme

---

### **REPORT DETAILS**

#### **1. Introduction**

- 1.1 The unaudited 2019/20 statement of accounts was approved by the Chief Finance Officer on 14 July 2020. In line with the extended statutory deadline of the 31 August, introduced as a response to the COVID 19 pandemic.
- 1.2 By statute, the accounts are subject to audit by an independent external auditor, in the council's case, by Mazars. The audit commenced in July and the main findings are presented in the external auditor's Audit Completion report being considered at today's meeting. The revised deadline for the audited accounts is the end of November.

#### **2. The audit**

- 2.1 The audit is much wider than a simple check of the figures in the various accounting statements. For instance, it is also concerned with accounting principles, internal controls and the overall quality of disclosures, to ensure that a true and fair view is given of the state of the council's finances. Throughout the audit process, external audit and council staff work together to try to improve the statement of accounts, both by correcting any errors and by critically examining the content to see if it might be presented in a more meaningful way, in particular by expanding disclosure notes.
- 2.2 There are always improvements to be made and one of our objectives is to continue to work on finding more time at the end of the process to allow more comprehensive checking of the statement to identify simple errors.

### **3. Audit findings**

#### ***Unadjusted misstatements***

- 3.1 Management's position is that the DSG deficit should not be charged to the general fund and the statement of accounts reflect this position. A recovery plan has been agreed with the Education and Skills Funding Agency and will be monitored to ensure that this deficit is managed downwards during the recovery period.

#### ***Adjusted misstatements***

- 3.2 The audit found an error in the classification of £6.020m of assets on the balance sheet. This has no impact upon the revenue account and the balance sheet has been corrected..
- 3.3 Provisions have been reanalysed between long and short term provisions and the balance sheet and note have been updated to reflect this change.
- 3.4 Following discussions with the audit team a number of changes have been made to the draft accounts to improve them or correct errors, these relate to the notes supporting the main accounting statements.
- 3.5 Appendix A shows the balance sheet before and after the proposed changes to the accounts. Those values that change on the statements are highlighted in yellow – this demonstrates whilst changes have been made to specific line items, net assets and reserves remain unchanged.

### **4. Going forward**

- 4.1 The balance between speed of production and quality of content of the accounts continues to be a focus of the final accounts team and the Accountancy Development Group (a team of accountancy practitioners), which both seek to achieve continuous improvement in our closure processes and the final statement.

### **5. Finalising the audit**

- 5.1 The Chief Finance Officer will write a letter of representation to the auditor broadly in the form set out in Appendix B, confirming the underlying accuracy of the statement of accounts. The final text will be agreed with the auditor, but members are asked to note the representations made.
- 5.2 Upon agreement by this committee of the proposed changes to the accounts a new statement of accounts will be published. This will incorporate the auditor opinion drafted in Appendix B of the Audit Findings report expressing that the council's financial statements give "a true and fair view".
- 5.3 Should members be satisfied with the amendments proposed, it is requested that the chair of this committee certifies the accounts on the statement of responsibilities page.
- 5.4 If further changes are required before the formal conclusion of the audit it is proposed that:
- they are agreed between the Chief Finance Officer and the External Auditor;
  - they are reported to the Chair for approval.

## **6. Conclusions and Recommendations**

- 6.1 It is to be expected that there will be several changes to the accounts identified during the course of the audit. There are not considered to be any contentious items.

It is recommended that members:

- a) Consider the contents of the auditor's Audit Findings report and this complementary report and, should they wish, request further detail on any issue of concern;
- b) Authorise the changes to the statement of accounts outlined in the audit findings report;
- c) Authorise the committee chair to sign the statement of responsibilities within the statement of accounts;
- d) Note the representations made by the Chief Finance Officer (Appendix B)
- e) Delegate authority to the Chief Finance Officer to agree any further late changes to the statement, should they be required, subsequently to be reported to the committee chair for approval.

**Joanne Hardman**  
**Chief Finance Officer**

## Appendix A

**Table 1. Original balance sheet at 31 March in thousands of pounds**

	Note	31/03/2019	31/03/2020
Property, plant and equipment	Error! Reference source not found	725,828	772,137
Heritage assets	Error! Reference source not found	55,983	55,983
Investment property	Error! Reference source not found	13,877	14,497
Intangible assets	.	154	0
Long term investments	Error! Reference source not found	54,708	34,006
Long term debtors	Error! Reference source not found	56,935	55,974
<b>Long term assets</b>	.	<b>907,485</b>	<b>932,597</b>
Short term investments	Error! Reference source not found	20,053	6,018
Assets held for sale	Error! Reference source not found	7,940	4,419
Inventories	.	880	963
Short term debtors	Error! Refer	77,407	94,053

	Note ence sourc e not found	31/03/2019	31/03/2020
	Error! Refer ence sourc e not found		
Cash and cash equivalents	Error! Refer ence sourc e not found	55,654	67,774
<b>Current assets</b>		<b>161,934</b>	<b>173,227</b>
Short term borrowing	Err or! Refer ence sourc e not found	(114,370)	(108,879)
Short term creditors	Error! Refer ence sourc e not found	(78,273)	(85,023)
Grants Receipts in Advance – Revenue	Error! Refer ence sourc e not found	(1,382)	(12,954)
Grants Receipts in Advance – Capital	Error! Refer ence sourc e not found	(1,291)	(971)
<b>Current liabilities</b>		<b>(195,316)</b>	<b>(207,827)</b>
Long term creditors	Error! Refer ence sourc e not	(196,497)	(190,831)

	Note found	31/03/2019	31/03/2020
Provisions	. Error! Refer ence sourc e not found	(21,679)	(23,885)
Long term borrowing	. Err or! Refer ence sourc e not found	(343,427)	(339,908)
Other long term liabilities	. Error! Refer ence sourc e not found	(487,521)	(417,828)
<b>Long term liabilities</b>	.	<b>(1,049,124)</b>	<b>(972,452)</b>
<b>Net assets</b>		<b>(175,021)</b>	<b>(74,455)</b>
Usable reserves	Error! Refer ence sourc e not found	139,850	167,319
Unusable reserves	. Error! Refer ence sourc e not found	(314,871)	(241,774)
<b>Total Reserves</b>	.	<b>(175,021)</b>	<b>(74,455)</b>



**Table 2. Revised balance sheet at 31 March in thousands of pounds**

	Note	31/03/2019	31/03/2020
Property, plant and equipment	Error! Reference source not found	725,828	772,137
Heritage assets	Error! Reference source not found	55,983	55,983
Investment property	Error! Reference source not found	13,877	14,497
Intangible assets	.	154	0
Long term investments	Error! Reference source not found	54,708	34,006
Long term debtors	Error! Reference source not found	56,935	55,974
<b>Long term assets</b>	.	<b>907,485</b>	<b>932,597</b>
Short term investments	Error! Reference source not found	20,053	6,018
Assets held for sale	Error! Reference source not found	7,940	4,419
Inventories	.	880	963
Short term debtors	Error! Refer	77,407	87,993

	Note ence sourc e not found	31/03/2019	31/03/2020
	Error! Refer ence sourc e not found		
Cash and cash equivalents	Error! Refer ence sourc e not found	55,654	73,834
<b>Current assets</b>	.	<b>161,934</b>	<b>173,227</b>
Short term borrowing	Err or! Refer ence sourc e not found	(114,370)	(108,879)
Short term creditors	Error! Refer ence sourc e not found	(78,273)	(85,023)
Grants Receipts in Advance – Revenue	.	(1,382)	(12,954)
Short term provisions	Error! Refer ence sourc e not found	0	(7,107)
Grants Receipts in Advance – Capital	.	(1,291)	(971)
<b>Current liabilities</b>	.	<b>(195,316)</b>	<b>(214,934)</b>
Long term creditors	Error! Refer ence sourc e not found	(196,497)	(190,831)
Long term provisions	Error! Refer ence	(21,679)	(16,778)

	Note sourc e not found	31/03/2019	31/03/2020
Long term borrowing	· Err or! Refer ence sourc e not found	(343,427)	(339,908)
Other long term liabilities	· Error! Refer ence sourc e not found	(487,521)	(417,828)
<b>Long term liabilities</b>	·	<b>(1,049,124)</b>	<b>(965,345)</b>
<b>Net assets</b>		<b>(175,021)</b>	<b>(74,455)</b>
Usable reserves	Error! Refer ence sourc e not found	139,850	167,319
Unusable reserves	· Error! Refer ence sourc e not found	(314,871)	(241,774)
<b>Total Reserves</b>	·	<b>(175,021)</b>	<b>(74,455)</b>

## **Appendix B**

### **Draft Letter of representation**

Mazars LLP  
1 St Peters Square  
Manchester  
M2 3DE

25 November 2020

Dear Sirs

#### **Salford City Council Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Salford City Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

#### **My responsibility for the statement of accounts and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Financial Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### **Accounting records**

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

#### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

## **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

## **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## **Fraud and error**

I acknowledge my responsibility as Chief Financial Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

## **Related party transactions**

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

## **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

## **Charges on assets**

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Going concern**

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Chief Finance Officer / s151 officer

Date.....

PLEASE ADD THE APPENDIX OF UNADJUSTED MISSTATEMENTS TO THIS LETTER

Joanne Hardman  
Chief Finance Officer  
25 November 2020

Councillor Robin Garrido  
Position Chair of Audit and Accounts Committee  
25 November 2020

**Signed on behalf of Salford City Council**