

## **APPROVAL OF ACCOUNTS 2019/20**

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Cabinet Member: Mandy Chilcott

Division and Local Member: All

### **1. Summary/link to the Annual Plan**

**1.1** As part of the formal process of closing the County Council's 2019/20 accounts the Chief Financial Officer is required to approve the draft Statement of Accounts by 31 August and the Audit Committee is required to approve the audited accounts by 30 November.

**1.2** At the meeting held virtually on Thursday 24 September 2020 the Committee formally approved:

- The audited Statement of Accounts for 2019/20;
- The Letter of Representation for 2019/20 (section 5.1);
- The updated Annual Governance Statement as included within the Statement.

The approval was subject to the Council's auditors, Grant Thornton, completing their final checks and issuing their final Audit Report and Audit Certificate.

### **2 Issues for consideration**

**2.1** Members are recommended to approve the amended Letters of Representation for 2019/20 (and accompanying Audit adjustments - Unadjusted Misstatements Summary)

**2.2** As no adjustments have been made to the accounts approved on 24 September 2020, Members are asked to re-affirm they are satisfied with this approach and no further amendments are required.

**2.3** Members are asked to note the dates in the Statement of Accounts for 2019/20 and the Annual Governance Statements will be updated to reflect the audit opinion has been considered.

### **3 Background - Delayed Audit Opinion**

**3.1** Grant Thornton provided the Audit Committee with an Audit Progress Report and Sector Update at the committee meeting held on 19 November 2020. In this update, the Committee were advised that the Audit Opinion had been delayed due to an outstanding query in relation to the valuation of the Council's property assets.

**3.2** The outstanding issue was in relation to the valuation basis used by the Council's valuers, referred to as Depreciated Replacement Cost (DRC). As the use of DRC is restricted to specialised assets where no market exists, the main area of uncertainty was on the valuation of the Council's school-related property assets (though DRC is also used for a small number of non-school-related properties).

### **4. Further Assurance Work**

**4.1** To provide Grant Thornton with the assurance they required, an assessment was carried out by the Council's valuation team based on the known build costs for schools in Somerset over recent years. Work was also carried out to ensure the accuracy of certain floor areas used in the DRC calculation. The revised costs and floor areas were then used to calculate a revised property valuation.

**4.2** Having compared the revised property valuations with the formal valuations included in the 19/20 accounts, an overstatement of £3.958m was identified. In the context of the Council's accounts, this does not represent a material misstatement, so no adjustment is required to the Property values reported in the unaudited 2019/20 accounts. The properties affected by this overstatement will be corrected in the 2020/21 accounts to ensure the misstatement does not impact on future years.

**4.3** Although no restatement has been required to the Council's accounts, reference to the non-adjusted error has been added to the Council's Letter of Representation (attached) that had been approved at 24 September committee meeting. These amendments must be formally approved by Audit Committee. See section 4.1 for details of the approval request.

**4.4** All other audit queries had been resolved by Finance, and adjustments made to the final accounts where material. Details of these adjustments were included in Annex 1 of the 11 September 2020 Committee report.

### **5. The Next Steps**

**5.1** The audited Statement of Accounts will be published and made available on the internet.

**5.2** When received the audit certificate will be added to the audited Statement of Accounts which will be published and made available on the internet.

**6. Background papers**

**6.1** Approval of Accounts 2019/20 Report (24 September 2020)

**6.2** Grant Thornton - Audit Progress Report and Sector Update for year ending 31 March 2020 (11 November 2020)

**6.3** Approval of Accounts 2019/20 Report - Update (28 January 2021)

**Note:** For sight of individual background papers please contact the report author.