



The Highland Council

External Audit and Council Officers update on the 2019/20 audit of Financial Statements

Audit and Scrutiny Committee – 26 November 2020

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External audit update as at 20 November 2020

As set out in our Annual Audit Plan, circulated to the Audit and Scrutiny Committee on 27 March 2020, we anticipated concluding our audit procedures and signing the financial statements in September in accordance with the timeline agreed with Council Officers.

Due to the impact of Covid-19 and the travel restrictions/social distancing measures in place to control the pandemic, our audit work is being completed remotely.

As reported to the Audit and Scrutiny Committee on 26 September 2020, our audit work commenced later than planned due to delays in undertaking audits remotely alongside a delay in obtaining remote access to the Council's IT systems.

This impacted our ability to interrogate data and select our samples for substantive testing. We had at this stage anticipated completing our audit procedures, and being in a position to sign the annual report and accounts and our opinion on 26 November 2020.

However, in completing our external audit testing we identified the following areas which we are continuing to discuss with Council Officers:

- Valuation of Property Plant and Equipment as at 31 March 2020 and in particular the in-year increase in valuation alongside the valuation of assets not captured within this year of the Council's rolling revaluation programme.
- Valuation of Council Dwellings as at 31 March 2020 and the subsequent capitalisation of expenditure in year, and prior years, on enhancing Council Dwellings for example roofs, kitchens.
- The controls in place within the Council when preparing the unaudited annual report and accounts to ensure transactions were correctly accounted for in either the 2019/20 or 20/21 financial year (Cut-off of expenditure, including accruals at year-end)

In the case of the two valuation points above, these are technical financial reporting matters which require further consideration by Officers before updates can be made to the unaudited annual report and accounts.

Whilst of a complex nature the likely valuation adjustments to the unaudited accounts will not impact on the overall financial position of the Council, as shown in the Council's general fund. Impact will be only on the Council balance sheet, including depreciation, asset valuations and capital accounting reserves.

Aside from the three matters outlined the remainder of our external audit is substantially complete.

External Audit and Officers are working closely together, and have agreed a timetable which will allow the Audit and Scrutiny Committee to consider, for approval, the annual report and accounts in January 2021. Alongside the annual report and accounts we will present our annual external audit report to Members and the Controller of Audit. This will conclude the 2019/20 external audit.

Revised Audit timeline

The revised statutory completion date, taking into account Covid, for the submission of the audited accounts and Annual Audit Report is 30 November 2020. The audited accounts for Highland Council will therefore be late. This is due to the accounting and financial report issues identified through the audit process.

We have proposed to Officers a revised timetable with the intention to hold a one item Audit and Scrutiny Committee in January 2021 to review the audited annual report and accounts and our external audit annual report to Members and the Controller of Audit. This would then finalise the 2019/20 audit process.

Key activities planned to conclude the 2019/20 External Audit process	Date
Officers complete a detailed review of post year expenditure transactions to ensure appropriately recognised in the accounts and submit to audit.	20 November 2020
Completion of audit testing over reviewed post year end transactions to gain assurance over significant financial statement risk around expenditure cut-off.	27 November 2020
Officer review of property, plant and equipment valuations to identify: <ul style="list-style-type: none">• appropriate valuation of property, plant and equipment as at 31 March 2020 and restatement for 2018/19.• Council valuers' sign off of revaluation to ensure appropriate and in accordance with RICS standards and the Code of Practice on Local Authority Accounting in the United Kingdom.	4 December 2020
<ul style="list-style-type: none">• Audit testing over revised property, plant and equipment valuations including restated prior year balances and disclosure review	11 December 2020
<ul style="list-style-type: none">• Final review of updated annual report and accounts including our technical review of prior period adjustment disclosures	18 December 2020
<ul style="list-style-type: none">• Audit completion of subsequent events procedures (up to date of signing)• Audit Completion of Wider Scope audit work up to date of External Audit Report	Mid January 2021 depending on planned signing date
<ul style="list-style-type: none">• Final accounts including external audit opinion submitted to the Audit and Scrutiny Committee	Date of Audit and Scrutiny Committee to be determined
<ul style="list-style-type: none">• Annual External Audit Report to the Council and Controller of Audit• Final accounts signed and audit opinion to the Council and the Controller of Audit• Certification of WGA submission	January 2021

In addition to the above activities we will also certify the Housing Benefit Subsidy Claim for 2019/20, the Charity accounts and grant certifications (EMA and NDR)