

 <b>Finance and Audit Scrutiny Committee</b> <b>30 July 2019</b>		<b>Agenda Item No.</b> <b>4</b>
<b>Title</b>	2018/19 Statement of Accounts and Audit Findings Report	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee 9 July 2019	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	24/7/2019	Andrew Jones
Head of Service	24/7/2019	Mike Snow
CMT	24/7/2019	
Section 151 Officer	24/7/2019	Mike Snow
Monitoring Officer	24/7/2019	Andrew Jones
Finance	24/7/2019	Andrew Rollins
Portfolio Holder(s)	24/7/2019	Richard Hales
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>	Yes/No	
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 This report presents the 2018/19 Audited Statement of Accounts to be agreed by the Committee. The External Auditor's Audit Findings Report is presented.

## 2. **Recommendation**

- 2.1 It is recommended that the Committee:-

- a) Notes the 2018/19 Audit Findings Report.
- b) Agrees that the Accounts are not adjusted in respect the McCloud judgment and GMP indexation for pensions.
- c) Approves the letter of representation on behalf of the Council.
- d) Approves the 2018/19 Audited Statement of Accounts.

## 3. **Reasons for the Recommendation**

- 3.1 The draft 2018/19 Statement of Accounts were published on the 31 May, in line with the official deadline. The accounts have subsequently been subject to audit by Grant Thornton, the Council's external auditors.
- 3.2 Members will note from the Audit Findings Report from Grant Thornton, that the audit of the accounts has gone well. The working papers were subject to review and authorised by Principal Accountants prior to submission to the auditors in accordance with agreed deadlines. The responses to subsequent questions from the auditors were given priority.
- 3.3 There have been some minor changes to the accounts proposed by Grant Thornton, as detailed within their report. The most significant of these changes is the categorisation of the Community Infrastructure Levy income received in 2018/19. Last year was the first that this income was received by the Council. Officers recognised the incorrect categorisation of this income and alerted the auditors to this. It has been agreed that this should be adjusted before the accounts are finalised. This does not have any impact on the Council's overall resources.
- 3.4 At the Finance and Audit Scrutiny Committee meeting on 9 July, there was some discussion on two pensions rulings outstanding, the McCloud judgment and GMP indexation, that may impact on the 2018/19 accounts. These are both discussed in more detail within the Audit Findings Report. Based on the figures from the actuary, the pensions liability within the Accounts of £48m (as reflected in the Pensions Reserve) is understated by £1.089m.
- 3.5 The pensions fund is currently under-going the triennial revaluation as at 31 March 2019. The results of this revaluation will inform the Council's pension fund contributions for the next three years. In common with many funded pension schemes, there is a deficit on the Warwickshire Local Government Pension Scheme. As the liabilities on the scheme will not all materialise for many years (notably when current employees eventually draw their pension), a "recovery period" of 25 years was agreed with the actuaries. This means that the additional contributions are made over future years to meet the deficit. Authorities have been making additional contributions towards the deficit for some years. The Council's Medium Term Financial Strategy does allow for increases in the pension contributions (on top of inflationary increases) of an additional £84,000 per annum.

- 3.6 The extra liability from the recent pensions rulings will be taken into account as part of the triennial revaluation. Accordingly, this increase will be spread over many future years. It will not present an additional revenue burden to the Council in one year.
- 3.7 As part of the audit, the auditors have agreed a materiality threshold of £1.2m. The pension adjustment is the only proposed "unadjusted misstatement", this being £1.089m. If the adjustment were to be made, more detailed additional information would be required from the actuaries, so requiring additional work by accountants and auditors, also with some additional costs. Due to the accounting treatment for pensions any adjustment to the service accounts within the Comprehensive Income and Expenditure Statement within the accounts would be reversed out. It would not impact on the sums due to be paid to the pension fund.
- 3.8 For the above reasons, it is proposed not to adjust the pensions figures within the accounts. The auditors accept not accepting is not-material. Many other local authorities are understood to be taking this stance. The Committee is recommended to approve non-adjustment in respect of the McCloud judgment and GMP indexation.
- 3.9 The Council's Constitution states that the Finance and Audit Scrutiny Committee will act as the Council's audit committee. In November 2016, the Constitution was updated so that this Committee will approve the Council's Statement of Accounts each year.
- 3.10 The audit of the accounts is now virtually complete, with the Audit Findings Report from the external auditors having been issued (attached). Consequently, Members are asked to approve both the letter of representation (attached) and the Audited Statement of Accounts.
- 3.10 A review of the closedown and production of the 2018/19 Accounts is currently on-going. Details of this, and planned actions for the 2019/20 Accounts, is due to be reported to members in November.
- 3.11 Having the audited accounts signed off by the 31 July deadline is a major achievement. This has entailed hard work by the Accountancy Team and from officers across the Council, and also from the external auditors. The close working from all involved has been important in enabling the Council to get to this position.

#### 4. Policy Framework

##### 4.1 Fit for the Future (FFF)

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>

<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.		
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.		

## 4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies. The 2018/19 Accounts are consistent with the relevant supporting strategies.

## 4.3 Changes to Existing Policies

No proposed changes to existing policies are proposed.

## 4.3 Impact Assessments

The Council's Final Accounts cover the community throughout the District. It is a statement of fact and officers will have considered any impact when amending their budgets.

## 5. Budgetary Framework

- 5.1 The original cost of the audit was agreed at £41,290, as part of the appointment made following tenders managed by Public Sector Audit Appointment (PSAA). The auditors are proposing an additional fee due to the extra pensions work required, and additional work required by the Financial Reporting Council.

## **6. Risks**

- 6.1 Following the delayed sign off of the 2017/18 Statement of Accounts, the closure of the 2018/19 accounts has been a key project. This has had detailed action plans (which have regularly been reported to members), and a Risk Register that has also been reported.
- 6.2 The Risk Register will be reviewed and updated ahead of the 2019/20 closure.

## **7. Alternative Option(s) considered**

- 7.1 No alternative options are presented for consideration.