Audit Committee
25 November 2019

STATEMENT OF ACCOUNTS 2018-19

1 Purpose

1.1 Following on from the draft statement of accounts report presented to the June meeting of the Audit Committee, this report updates members on the audit process and advises the committee of the changes that have been made to the accounts in accordance with the auditor's recommendations.

1.2 If the committee is satisfied with the revised accounts and that the auditor's comments have been correctly responded to, they are required to authorise the Chairman to sign them on the Committee's behalf, together with the Director with Responsibility for Finance.

1.3 Members will already be aware of the exceptional circumstances of the 2018-19 Audit programme.

1.4 The timetable for the preparation of the accounts was completed to a draft accounts deadline of 31 May 2019. In May 2019, the external audit team informed the Council that they would be unable to carry out the audit to meet the 31st July 2019 deadline, because of resourcing issues. Following engagement with the Public Sector Audit Appointments, (PSAA), we were further advised that the July deadline represents a target date for the publication of the accounts, and is not a statutory deadline.

1.5 The formal audit commenced on 2nd September 2019 and was scheduled for 4 weeks. The audit has not yet fully concluded.

1.6 At the time of writing the report, a revised set of Accounts, as per the Appendix, has been submitted to the Audit team for review. The review has not completed and the Auditors will provide an update at the Audit Committee meeting.

2 Recommendations/for decision

2.1 Members of the committee are requested to consider the final Statement of Accounts for 2018-19 (Appendix A) and;

2.2 If satisfied with the position they present, after considering the auditor's comments, they are recommended to authorise the Chairman to sign them on the Committee's behalf.

2.3 Delegate the authority to the Director with Responsibility for Finance, in consultation with the Chair or Vice Chair of the Committee, to make such changes as considered necessary to achieve sign off.

3 The Accounts Approval Process

3.1 The Accounts and Audit Regulations state that the members should only approve the accounts when they have been made aware of the findings of the audit and hence can make a better informed decision.

3.2 The auditor's comments and findings arising from their audit work are reported in the Audit Results Report, which appears prior to this report on the agenda.

3.3 If the auditors have still not completed their work by the date of the meeting it is requested that the Committee delegate to the Director of Finance, in consultation with the Chair or Vice Chair, the ability to make such changes to the accounts that are considered necessary.

3.4 A number of amendments have been made to the accounts.

3.5 The changes made to the Accounts between the draft considered by this committee in June and this version are reported in the next section.

4 Changes / Revisions to the Accounts

4.1 During the course of the audit it was identified that a number of adjustments were required to the core statements presented in the draft accounts.

4.2 In making the changes, there was no overall impact on the financial outturn for the financial year.

4.3 The Statement of Accounts attached to this report has been amended to reflect the correct position for each item disclosed below.

- A change in the depreciation charged to buildings at Pembroke Depot which had been incorrectly identified as non-depreciable in the fixed asset register. The deprecation impact on 18/19 of £57,712 was considered an immaterial change.
- A number of changes to the valuations for certain properties resulting from a detailed review of the Valuer's report. The Councils external valuer (WHE) used the incorrect cost per square metre for assets valued using Depreciated Replacement Cost (DRC). The value of the changes was an increase in asset value of £4.2m.
- A changes to the Community centre valuation method from Existing Use Value (EUV) to DRC methodology resulted in asset valuation changes of £7.187m. EY specialists reviewed the methodology and they concluded that the assets were under-valued. The Councils external valuer updated the valuations.
- The fixed asset register was also amended to reflect changes in asset life but this did not impact on the depreciation charged in 2018/19 as they will only be applicable from 1 April 2019.
- A change was made in relation to pensions. After the balance sheet date, the Government were denied leave to appeal to the Supreme Court against a judgement that changes made in public sector pension schemes in 2015 were age discriminatory. Generally known as the McCloud judgement. This is a national issue affecting many public sector bodies. The Council asked its actuary, Barnett Waddingham, to adjust for the actual figures while they were also addressing the impact of the McCloud case. The effect of these adjustments is to increase the liability on the balance sheet by £1.552million for McCloud.
- There was a change in the classification of the Hales Leys Loan repayment. This had been incorrectly identified as a capital receipt. The reclassification of £350,000 to "deferred capital receipts" was actioned.
- A minor change to the classification of collection fund balances resulted in an immaterial correction of 19/20 precept balance.

- A change in the disclosure of the number of employees receiving over £50k in remuneration incorrectly stated 25 employees and has now been changed to 29.

4.4 There is a requirement to report significant events that occur after the balance sheet date and before the sign off date. Since the committee in July, there have been no significant events that require reporting in the accounts.

5 Unadjusted Issues in the Accounts

5.1 There are a number of unadjusted audit differences in the draft financial statements which given the values are below materiality, the Council is not proposing to adjust for these.

- In relation to the impact of the pensions case relating to Guaranteed Minimum Pensions (GMP) equalisation we have estimated the maximum impact on the pensions liability of £227,000. The Councils actuary have advised that the impact of GMP is not material. This view has been corroborated by the external auditors.
- In relation to the difference between estimated plan assets of the pension scheme and actual plan assets as at 31 March 2019 there is a difference of £659,000. This is the audit team assessment of the likely changes and is not supported by a formal report from the Actuary. The difference will be a factor of timing of the audit.
- In relation to the restatement of the prior year accounts for changes to the group consolidation which were not material and as,per IAS 8, should have been corrected in the current year. The impact on the CIES was £236,000.

6 Reasons for Recommendation

6.1 The Accounts and Audit Regulations require that the Statement of Accounts are formally signed off by the Chair of the Audit Committee and the Director responsible for Finance.

7 Resource implications

7.1 These are covered within the body of the report.

8 Response to Key Aims and Objectives

8.1 None directly, although proper financial reporting and management will help with the delivery of the Authority's Key Aims and Outcomes.

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Background Documents N/A