

Report to Audit Committee

11 July 2019

By the Director of Corporate Resources

DECISION REQUIRED



Not Exempt

Statement of Accounts 2018/19

Executive summary

It is a legal requirement of the Accounts and Audit (England) Regulations 2015 that the Statement of Accounts is approved by a resolution of the Council or the relevant Committee of the Council by 31 July 2019. The Scheme of Delegation to Committees within the Council constitution (Part 3.2) delegates the responsibility to the Audit Committee to consider and approve the Council's Statement of Accounts.

The Statement of Accounts have been subject to external audit by EY and the Audit Results Report is also on the agenda for this meeting.

At the time of the report, three outstanding issues need to be resolved before the accounts can be approved. The actuary is re-running the IAS19 report to update the numbers for two issues relating to the pension fund. The third issue involves the technical treatment of the Council's pooled funds and officers are discussing this with the auditors. This is also being discussed at a national level.

Recommendations

That the Committee is recommended:

- i) To approve the 2018/19 Statement of Accounts, or should any of the three issues be unresolved at the date of the committee, delegate the approval to the Chairman of the Audit Committee, in consultation with the Director of Corporate Resources, to be done before 31 July 2019.

Reasons for recommendations

- i) It is a requirement of the Accounts and Audit (England) Regulations 2015 that the Statement of Accounts are approved by 31 July 2019.

Background papers: none

Wards affected: All

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Background Information

1 Introduction and background

- 1.1 It is a requirement of the Accounts and Audit (England) Regulations 2015 that the statutory Statement of Accounts are approved by a resolution of the Council or the relevant Committee of the Council by 31 July 2019. Under The Scheme of Delegation to Committees within Part 3.2 of the Council constitution, the matter of considering and approving the Statement of Accounts has been delegated to the Audit Committee. This report provides background information to the financial statements.
- 1.2 The Statement of Accounts have been prepared following the requirements of the CIPFA Code of Practice on Local Authority Accounting 2018/19 which are based on International Financial Reporting Standards. The Statement of Accounts have been subject to audit by EY.

2 Relevant Council policy

- 2.1 The Council is required to produce financial statements under the Accounts and Audit (England) Regulations 2015.

3 Details

- 3.1 The audit of the draft financial statements has identified three issues. The audit results report sets out the significant issues and findings to bring to your attention. This covering report sets out the actions being undertaken by officers to resolve these issues.
- 3.2 On 27 June 2019, we commissioned the actuary to re-run the IAS19 pension fund report to update and reflect the actual asset valuation at 31 March 2019 and to incorporate the 'McCloud' ruling on age discrimination into the scheme liabilities. We have been informed that the reports will not be available from the actuary until 4 July 2019.
- 3.3 Upon receipt of the updated IAS19 report, we will review the changes and if satisfied with the information and assumptions used, update the statement of accounts in the following areas:
 - The asset value in the balance sheet is expected to increase by around £488k. Amendments will also be required in the actuarial loss on pensions asset in the CIES and in the detail in Note 30.
 - The impact on the liabilities is expected to be material and increase the pension fund liabilities, therefore reducing the pension asset value on the balance sheet. Amendments will also be required in the detail in Note 30, the removal of the issue as a contingent liability in Note 31 and to update the statement of accounts to inform the readers on the key judgements used, the estimation process and sensitivities and the assumptions used in the modelling.
- 3.4 Officers are in discussion with the auditors over the classification of the pooled funds investments under IFRS9. This is also a national issue, and we are in contact with our expert advisor Arlingclose Ltd, other authorities, and awaiting guidance from CIPFA. The auditor disagrees with our irrevocable election of the long term holdings of strategic investments where fair value changes are not considered part of the authority's annual performance – namely the £16.7m balances in pooled

funds - as Fair Value through Other Comprehensive Income, as shown in Note 14. If unresolved, this could potentially have an effect on the auditor's opinion on the statement of accounts.

- 3.5 We are continuing the discussions with EY. We are also considering whether to consult legal counsel to further substantiate our position.

4 Next steps

- 4.1 The committee is asked to approve the Statement of Accounts 2018/19, or, should any of the three issues be unresolved by the date of the audit committee, delegate this authority to the Chairman of the Audit Committee, in consultation with the Director of Corporate Resources.

5 Outcome of consultations

- 5.1 No consultations were required. Audit Committee Members were briefed on the Statement of Accounts and the three issues on 1 July 2019.

6 Other courses of action considered but rejected

- 6.1 Not applicable.

7 Resource and legal consequences

- 7.1 There are no direct resource or legal consequences arising from this report.

8 Risk assessment

- 8.1 There are reputational risks to the Council if the Statement of Accounts are not approved by the statutory deadline of 31 July 2019.

9 Other considerations

- 9.1 The recommended actions of this report have no impact on Crime & Disorder; Human Rights or Equality & Diversity and Sustainability.