

## 2018/19 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS

<b>Head of Service/Contact:</b>	Lee Duffy, Chief Finance Officer
<b>Urgent Decision?(yes/no)</b>	Yes
<b>If yes, reason urgent decision required:</b>	Statutory requirement to certify audited Statement of Accounts by 31 July 2019
<b>Annexes/Appendices (attached):</b>	<b>Annex 1</b> - Audit Findings Report <b>Annex 2</b> - 2018/19 Statement of Accounts (includes Annual Governance Statement) <b>Annex 3</b> - Letter of Representation
<b>Other available papers (not attached):</b>	Financial Outturn reported as a separate agenda item

### Report summary

This report covers Grant Thornton's audit findings and presents the Statement of Accounts for 2018/19 following the external audit.

### Recommendation (s)

The Committee is asked to:-

- (1) Approve the Statement of Accounts for the year ended 31 March 2019;
- (2) Agree the Annual Governance Statement included within the Statement of Accounts
- (3) Receive the Audit Findings for 2018/19;
- (4) Agree the management action in response to audit recommendations;
- (5) Agree that the Chairman or Vice Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;
- (6) Delegate any further amendments to the 2018/19 Statement of Accounts to the Chief Finance Officer in consultation with the Chairman or Vice Chairman of Strategy and Resources Committee.

# Strategy and Resources Committee

## 30 July 2019

### **1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 The Council's four year Corporate Plan includes Managing our Resources as a key priority. The external audit of the Statement of Accounts provides assurance that the Council has accurately reported its use of financial resources and has achieved value for money.

### **2 Background**

- 2.1 The Council's financial performance for 2018/19 is reported as a separate agenda item at this committee. A copy of the unaudited Statement of Accounts was circulated via Members Update on 14 June and placed on the Council's website on 30 May.
- 2.2 The Council's 2018/19 Statement of Accounts incorporate disclosures that show the combined financial position of the Council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts.
- 2.3 Grant Thornton, the Council's external auditor, has issued their Audit Findings following completion of the audit of the Statement of Accounts. The report is attached at **Annex 1**.
- 2.4 As part of the audit, Grant Thornton performed sufficient work to gain assurance that the group accounts are materially accurate.
- 2.5 The Audit Findings report will be presented to the committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit.
- 2.6 The audited Statement of Accounts are included in **Annex 2** to this report. Members are invited to raise any detailed queries with the Chief Finance Officer prior to the meeting.

### **3 Outcome of Audit**

- 3.1 The following specific points are made in the report:-
  - The Auditors anticipate an unqualified opinion on the Council's Statement of Accounts.
  - Any adjustments required have been agreed and implemented and they did not affect the Council's reported outturn position or cash reserves.

# Strategy and Resources Committee

## 30 July 2019

- The main adjustment has been an increase in the reported pension liability following a national Supreme Court case on 27 June 2019. The Court ruling confirmed that when the Government introduced reforms to public sector pensions in 2014 and 2015, with most public sector workers moving into new pension schemes, the transitional protection offered to some older members of the judiciary and fire fighters' schemes (but not to some younger members) amounted to unlawful discrimination on the basis of age.
- As the Local Government Pension Scheme (LGPS) was restructured in 2014, with protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the LGPS, meaning a financial remedy is likely to be required for members who were not eligible for transitional protection.
- As a result, the Council had to commission an updated pension liability assessment (IAS19) report from the external actuary, Hyman Robertson. This updated IAS19 assessment has been incorporated into the audited Statement of Accounts, resulting in a £1.192m increase in the reported pension liability when compared to the unaudited accounts.
- The IAS19 assessment does not comprise a full re-valuation of the fund and does not impact the Council's contributions into the Scheme. A separate triennial funding valuation in Autumn 2019 will determine the Council's contributions into the fund from 2020/21.
- The auditor plans to issue an unqualified conclusion on Value for Money

3.2 Appendix A of the Audit Findings report includes recommendations where management action has been agreed with the auditors

## 4 Proposals

4.1 The Committee is asked to:-

- Receive the Audit Findings for 2018/19;
- Receive the Statement of Accounts for the year ended 31 March 2019;
- Agree the Annual Governance Statement included within the Statement of Accounts;
- Agree the management action in response to audit recommendations;
- Agree that the Vice Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the letter of representation on behalf of the Council;
- Delegate any further amendments to the 2018/19 Statement of Accounts to the Chief Finance Officer in consultation with the Vice Chairman of Strategy and Resources Committee.

# Strategy and Resources Committee

## 30 July 2019

### 5 Financial and Manpower Implications

- 5.1 The external audit fee is expected to be within the budget previously reported. However, the Council has had to incur additional fees of approximately £3,000 with the external actuary for the updated IAS19 Pension Report, which will be met from the Financial Services budget.
- 5.2 The committee has received a summary of the General Fund position for 2018/19 and the financial reserves at 31 March 2019. The committee has also received details of expenditure on the capital programme.
- 5.3 **Chief Finance Officer's comments:** The Statement of Accounts are extensive and detailed so please raise any queries regarding **Annex 2** prior to the Committee meeting.

### 6 Legal Implications (including implications for matters relating to equality)

- 6.1 The requirements for external audit are set out in the executive summary of the Audit Findings report.
- 6.2 **Monitoring Officer's comments:** The Accounts and Audit Regulations 2015 require that the audited Statement of Accounts and Annual Governance Statement should be approved by a member committee and published on the Council's website by 31 July 2019.

### 7 Sustainability Policy and Community Safety Implications

- 7.1 None for the purposes of this report.

### 8 Partnerships

- 8.1 None for the purposes of this report.

### 9 Risk Assessment

- 9.1 The external audit contributes towards effective corporate governance of the Council.

### 10 Conclusion and Recommendations

- 10.1 The external auditors propose an unqualified opinion on the Council's Statement of Accounts.
- 10.2 The audited Statement of Accounts will be published on the Council website following signature and certification.

**Ward(s) affected:** (All Wards);