

STATEMENT OF ACCOUNTS 2018/19 - OUTCOME OF EXTERNAL AUDIT

Audit Committee - 18 July 2019

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the external audit findings of the 2018/19 accounts.

Portfolio Holder Cllr. Matthew Dickins

Contact Officers Alan Mitchell Ext. 7483
Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That

- (a) the Statement of Accounts 2018/19 be approved.
 - (b) the letter of representation (Appx B) be approved and signed by the Chairman
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Introduction and Background

- 1 A draft statement of accounts was reviewed by a working group from the Audit Committee on 11 June 2019.
- 2 The external audit of the accounts began on 3 June and the Audit Findings Report in Appendix A sets out the findings and the changes to the accounts agreed as part of the process. The report also sets out the auditor's Value for Money (VfM) conclusion for 2018/19.
- 3 The external auditors, Sarah Ironmonger and Sebastian Evans from Grant Thornton, will attend the meeting to discuss their report on the 2018/19 audit. The accounts are required to be signed off by 31 July 2019.
- 4 The Audited Statement of Accounts 2018/19 is attached at Appendix D.
- 5 A copy of the letter of representation from the Council to the external auditors is attached at Appendix B.

- 6 The format of the statement is similar to 2017/18 and has been compiled in line with International Financial Reporting Standards (IFRS), there was no new significant reporting requirement for 2018/19.

Review by Working Group

- 7 At the meeting of the working group on 11 June, the Head of Finance explained the most important items in the statement and provided answers to detailed questions raised by Members.
- 8 Members examined the Statement of Accounts and the Narrative Statement and the report of the working group is appended to this report at Appendix C

Commentary on the Auditor's Report

Audit Findings

- 9 Grant Thornton have stated that the accounts give a true and fair view of the Council's financial position, and have been properly prepared in accordance with the Code of Practice.
- 10 No adjustments were identified that affected the Council's reported financial position and no changes were required to the major statements. The audit was completed within the proposed fee of £33,320, and Grant Thornton have reported that the quality of the draft statements presented for audit was good and free of errors.
- 11 The accounting policies, estimates and judgements have been reviewed and all the indicators are green.
- 12 The McCloud Judgement: In December 2018, the Court of Appeal ruled that there was age discrimination in the judges' and firefighters' pension schemes where transitional protections were given to scheme members. It has since been identified that this ruling is likely to affect Local Government Pension Schemes (LGPS) as well (of which Sevenoaks District Council is part, through the Kent County Pension Fund), although the impact had been uncertain due to a potential appeal from Central Government against the ruling. However, the Supreme Court rejected permission to appeal the ruling on 27 June 2019.
- 13 The IAS19 report previously issued as at 31 March 2019 (dated 16 April 2019) did not make an allowance for the McCloud judgement, due to uncertainty at the time of how this judgement may affect LGPS members' past or future service benefits.
- 14 However, given the uncertainty, to assess the materiality of the potential impact of this issue, in June 2019 management commissioned a summary impact assessment, from the scheme actuary (Barnett Waddingham) for Kent County Council. Based on this, the impact on total liabilities was estimated at £983,000

- 15 Management have advised that the additional £983,000 will not be recognised as a liability, on the basis that:
- The value is not considered material to the Council.
 - They believe that there is too much uncertainty in the estimation to warrant a specific quantitative amount.

However, management acknowledge that the McCloud judgement may have a future impact on the pension liability. On the basis of the points above, management have disclosed a management critical judgement with respect to this decision.

- 16 The changes required to the accounts, all of which were identified by officers and notified to the auditors are explained below:
- a. In Note 24c, Subjective Analysis, a reclassification amendment has been made of £2,289,000 from employee expenses to other service expenses relating to pension interest;
 - b. In Note 24e, Subjective Analysis, the prior year comparatives had not been included; the current year table had been mistakenly published twice;
 - c. Within the Grant Income note the table for receipts in advance had been omitted from the first draft.

Value for Money

- 17 Grant Thornton have issued an unqualified conclusion to the arrangements for Value for Money. They are satisfied that in all significant respects the Authority has put in place proper arrangements for securing economy efficiency and effectiveness in its use of resources for year ended 31 March 2019.
- 18 Grant Thornton consider the Councils risk management arrangements to be adequate and they have noted a good level of challenge and discussion around the level of risk assigned to the Property Investment Strategy.

Summary

- 19 We would like to express our thanks to Grant Thornton for their efforts in completing the required audit work in time for reporting to this Committee.
- 20 The Finance Team completed the 2018/19 financial statements on time despite operating with a reduced team.

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972 the section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

Members will note that there are no material issues to be brought to the attention of the Committee and that the external auditor expects to issue an unqualified opinion on the financial statements and value for money conclusion.

Appendices

Appendix A - Grant Thornton Audit Findings Report 2018/19

Appendix B - Letter of Representation

Appendix C - Report from the Member Working Group

Appendix D - Audited Statement of Accounts 2018/19

Background Papers

None.

Adrian Rowbotham
Chief Finance Officer