

STATEMENT OF ACCOUNTS 2019/20 - UPDATE

Audit Committee - 30 March 2021

Report of: Deputy Chief Executive and Chief Officer - Finance and Trading

Status: For Information

Key Decision: No

Executive Summary: This report provides an update on the progress of the Accounts since the 3 November 2020 Audit Committee.

This report supports the Key Aim of: effective management of the Council's resources.

Portfolio Holder: Cllr. Matthew Dickins

Contact Officers: Alan Mitchell, Ext.7483

Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee:

That the report be noted

Reason for recommendation:

This recommendation supports the sound control of the Council's finances

Introduction and Background

- 1 The draft statement of accounts was presented to the Audit Committee on 3 November 2021. The audit was nearly complete except for a few areas which were expected to be completed by 30 November 2020 with no significant changes to the accounts.
- 2 As part of Grant Thornton's final review, the pension adjustments were referred to their internal actuary who on 19 November requested a meeting with the Actuary at Barnett Waddingham to further understand their previous explanation of the £19m experience item adjustment.
- 3 The meeting was arranged for 24 November during which Barnett Waddingham admitted that it was a correction of an error dating back to 2016 rather than a change in assumptions as previously stated by them.

Changes to the Statement of Accounts

- 4 Due to the size of the error, it is classed as a material error. Materiality for the audit is set at approximately £1.5m. An error is classed as material if by either the size or nature it would significantly change the accounts and therefore could mislead the reader of the accounts if not corrected.
- 5 In order to make the necessary changes the actuaries were required to restate the IAS 19 pension accounting report for the last 3 financial years on the basis that the initial error had never occurred, these reports were received on 26 November.
- 6 The CIPFA code of practice requires full restatement of the accounts, including the previous financial years that have been affected and a 3rd balance sheet. The full list of changes required is shown in Appendix A and were disclosed within the accounts in Note 5 - Prior Period Adjustment.
- 7 The accounts received a full clean audit opinion at 9pm on 30 November.

Update since 30 November

- 8 A letter of complaint was sent to KCC Pensions who are Barnett Waddingham's client to formally raise this matter on Sevenoaks District Council's behalf.
- 9 As their client we required them to raise this matter and request an investigation to ascertain the following:
 - Details of why the error occurred;
 - An explanation why SDC were not informed of the error when the Kent County Council Pension Fund Report was produced; and
 - Why when it was queried did Barnett Waddingham not admit their error but rather only do this when challenged directly in a meeting at the last minute, causing a huge amount of additional work and possibly causing an authority with an impeccable record to miss the statutory deadline which would have resulted in a significant amount of reputation damage;
 - It was also requested that Barnett Waddingham internal controls be reviewed and additional controls be agreed to ensure that this type of error does not occur in future; and that where errors do occur, procedures are put in place to ensure the client is notified at the earliest possible time and provided with appropriate reports and support to correct any mistakes;
 - A request that Barnett Waddingham's additional fee be waived, and that they also meet the additional costs incurred by Grant Thornton
- 10 We have received an initial response from KCC Pension who apologise on behalf of the Fund for the fact that this error occurred, the problems caused and the manner of its resolution. At the time this report was written they

are still following this up with Barnett Waddingham in order to better understand what has happened and the issues involved and how they can ensure such an error does not happen again.

- 11 For clarification even though this error is extremely concerning it did not have any detrimental or real cost implications.

Changes to Accounting Procedures

- 12 Further to the existing controls, Barnet Waddingham will be written to and specially require them to confirm that there are no material errors with the IAS19 report to which we have not been notified.

Key Implications

Financial

None directly arising from this report.

Legal Implications and Risk Assessment Statement.

None directly arising from this report.

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.

Appendices

Appendix A

Background Papers

None

Adrian Rowbotham, Deputy Chief Executive and Chief Officer - Finance and Trading