

AUDIT AND GOVERNANCE COMMITTEE
26 September 2017**ANNUAL STATUTORY FINANCIAL STATEMENTS FOR THE**
YEAR ENDED 31 MARCH 2017

Recommendation

- 1. The Chief Financial Officer recommends that:**
 - a) the Final Accounts Pack including the Statement of Accounts for the financial year ending 31 March 2017 be approved (Appendix 1),**
 - b) he is granted delegated authority to make any residual amendments to the Statement of Accounts in consultation with the Chairman and Vice Chairman of the Committee as appropriate following the conclusion of any outstanding external audit work; and**
 - c) he is authorised to sign the Letters of Representation on behalf of the County Council**

Background

2. At the July 2017 Audit and Governance meeting the committee noted an Interim Findings Report by the County Council's independent External Auditor Grant Thornton with regard to the audit of the 2016/17 statutory accounts.
3. The report confirmed that whilst the audit of the Worcestershire County Council Pension Fund had substantially been completed with not material issued arising, the County Council's accounts still had further work that needed to be completed before being ready for committee approval.
4. A plan was agreed between the County Council's officers and Grant Thornton's team to complete this work on the accounts ready for approval at this committee meeting.
5. Since the last committee meeting, the County Council has increased its staffing allocation to support this work, increased the level of quality assurance work and remain committed to improve process looking forward.
6. This report and appendices confirms the outcome of this work which is substantially complete and recommends committee approval with a delegation to the Chief Financial officer to make any non-material residual amendments to the accounts post the committee meeting in consultation with the Chairman and Vice Chairman of the committee as appropriate.

7. This report also sets out the timetable for the publication of the Final Accounts pack that includes the audited Statement of Accounts. In addition some key messages on the issues relevant to their compilation in 2016/17 are referenced together with Grant Thornton's audit findings reports for the County Council and Pension Fund accounts.

8. The Chief Financial Officer would like to express his thanks to Grant Thornton staff for supporting the delivery of an audited set of accounts by this committee date.

2016/17 Closedown Process – Key Dates

9. The preparation of the Statement of Accounts for the 2016/17 financial year and their approval by the Audit and Governance Committee is the first stage in the process of accountability for the County Council's finances during 2016/17.

10. The Statement of Accounts presented represents work completed to 21 September 2017. The remaining work is to provide additional assurance to the External Auditors and will not have material effect on the Statement of Accounts. A verbal report will be provided to the Audit and Governance Committee to confirm any items of work that remain outstanding.

11. Based on the adoption of the Statement of Accounts by the Audit and Governance Committee at its meeting on 26 September 2017, the Chief Financial Officer will sign the Statement of Accounts as presenting a True and Fair view of the financial accounting position of the County Council and the Pension Fund. The Chief Financial Officer confirms this is the case in the relevant Letters of Representation attached as Appendix 3 and 4.

12. The remaining steps are summarised below:

- a) 26 September 2017 Audit and Governance Committee
- b) 30 September 2017 Publication of financial statements (including the audit opinion)
- c) Late September/ possibly early October 2017 – Whole of Government Accounts (WGA) statistical submission and external audit scrutiny completed
- d) External Audit Certificate Issued when WGA process completed

Statement of Accounts for the Year Ending 31 March 2017

13. The Statement of Accounts that provide a comprehensive picture of the County Council's financial position is attached as Appendix 1.

14. The External Auditor's Audit Findings Report states they anticipate providing an unqualified opinion on the County Council's Statement of Accounts subject to the Audit & Governance committee approving the accounts, and subject to the successful completion of a small number of final assurance checks on the information submitted for audit.

15. There are 6 main matters of substance raised by the External Auditor in their report – 4 which related to significant risks the most pertinent concerning the valuation in the County Council's accounts of the Energy from Waste facility, working through evidence to support the independent valuation of the Councils Property,

Plant and Equipment specifically with regard to any considerations for fixed asset that have not been routinely values under the rolling 5 year valuation programme, and 2 which related to other risks concerning termination and exit packages, and creditors. The External Auditor's report is contained in Appendices 2.

16. To help make sense of a set of accounts that is required to be set out in a rigid statutory format, members will find it helpful to consider in the first instance the Narrative Report beginning at page 5 of the Statement of Accounts at Appendix 1 for the County Council and page 83 for the Pension Fund which outlines the key financial and accounting issues.

17. Key highlights of the 2016/17 County Council Statement of Accounts are:-

- In overall terms, revenue spending was in line with the Council's budget of £322 million
- The County Council's General Balances have reduced from £13 million at 31/3/16 to £12 million at 31/3/17 following a planned withdrawal to support the recovery costs to replace Eastham Bridge, Tenbury
- Capital investment of £132 million has been made during the year

18. Key Highlights of the 2016/17 Pension Fund Statement of Accounts are:-

- The value of the Fund's net assets increased by £528.6 million from £1,952.3 million at 31 March 2016 to £2,480.9 million at 31 March 2017
- During the year a surplus resulted on the Pension Fund account totalling for 2016/17 £34.4 million, a decrease of £4.2 million from the surplus of £38.6 million for 2015/16. The fall in surplus is mainly as a result of the fall in investment income
- The last actuarial valuation of the Worcestershire County Council Pension Fund was carried out as at 31 March 2016 and indicated assets of £1,952 million represented 75% of liabilities (up from 69% at 2013 valuation) and contribution rates are expected to ensure that assets will match 100% of liabilities over 18 years. The next actuarial valuation will be undertaken in 2019/20, with any changes to the employers' contribution rates being implemented with effect from 1 April 2020.

Lessons Learned

19. Grant Thornton's Audit Findings Reports contained in the appendices provide specific details with regard to their work and there are recommendations for process improvements looking forward.

20. As agreed at the July 2017 committee meeting, the County Council will review the lessons learned from this year's process and the challenges faced by the team, and will provide a report for the December 2017 Audit and Governance Committee meeting.

Contact Points

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Supporting Information

- Appendix 1 Statement of Accounts 2016/17
- Appendix 2 Audit Findings Report - Worcestershire County Council Audit 2016/17
- Appendix 3 Chief Financial Officer Letter of Representation Worcestershire County Council
- Appendix 4 Chief Financial Officer Letter of Representation Worcestershire County Council Pension Fund

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

- Statement of Accounts 2015/16
- Budget 2016/17