

**AUDIT AND GOVERNANCE COMMITTEE****13 OCTOBER 2017****ANNUAL STATUTORY FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 MARCH 2017**

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**Recommendation**

- 1. The Chief Financial Officer recommends that:**
  - a) The External Auditor update letter is noted (Appendix 1);**
  - b) the Final Accounts Pack including the Statement of Accounts for the financial year ending 31 March 2017 be approved (Appendix 2); and**
  - c) he is authorised to sign the Letters of Representation on behalf of the County Council (Appendices 4 and 5)**

**Background**

2. At the September 2017 Audit and Governance meeting the Committee noted an Audit Findings Report (AFR) 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 External Auditor anticipated issuing an unqualified Audit Opinion on the County Council's Statement of Accounts, a small amount of further work remained to be concluded. References to that work were noted within the External Auditor's AFR and included:

Areas of potential significant issue

1. Confirmation that the audit evidence submitted with regard to the valuation of fixed assets satisfied the audit test;
2. Confirmation that the audit evidence submitted with regard to the valuation of the Energy from Waste Plant satisfied the audit test; and
3. Supply of final audit evidence to support the Disclosure Note on the Financial Statements relating to Exit Packages where the External Auditor's work was undertaken to a materiality of £10,000.

For two out of the three areas flagged as areas of 'significant issue' in the AFR External Audit testing confirmed that the evidence submitted for audit prior to the Audit and Governance Committee satisfied the test. Remaining audit evidence was provided in the early part of the week commencing 3 October 2017.

Other areas of remaining testing

4. 'Telling the Story changes'; and
5. Reconciliation of the draft Statement of Accounts to those presented to Audit and Governance Committee on 26 September 2017 and those presented to the Audit and Governance Committee meeting intended for publication on 13 October 2017.



## Requirement for this meeting of the Audit Committee

4. The County Council's Gross Revenue Expenditure as set out on the Consolidated Income and Expenditure Account is £852 million.
5. The External Auditor noted in their AFR that *a small number of further changes were required to the set of financial statements provided with the committee papers, and that these would need to be formally agreed through the Chair and Vice-Chair.* These small numbers of changes, with one exception, have been reflected in the final Statement of Accounts and are not material in nature. However, work was unable to be concluded by the Statutory Deadline.
6. Final External Audit testing identified the need for a change to a disclosure Note in relation to Exit Packages. Whilst that change is below the External Auditor's triviality level and would not normally be agreed between the External Auditor and the Finance Team for the majority of the Statement of Accounts, for this particular Disclosure Note, the External Auditor had applied a materiality level of £10,000 based on their view of the significant public interest in this disclosure.
7. Therefore an Audit and Governance Committee needed to be convened to confirm the re-adoption of the Statement of Accounts that includes this change.

## Progress Update

8. The Chief Financial Officer would like to acknowledge the support that the External Auditor has provided to the County Council in concluding the External Audit on the Statement of Accounts. The External Auditor has now materially concluded their work and has reported in their Update Letter that they anticipate providing an unqualified opinion based on the Audit and Governance Committee adopting the revised Statement of Accounts. This is contained in Appendix 1.
9. A summary is provided below of progress since the last Audit and Governance Committee
  - a) For, one area, the Disclosure Note on Exit Packages, an adjustment has been agreed with the External Audit to reflect the inclusion of Pension Strain payments or accruals to 14 members of staff that has resulted in a £0.5 million adjustment to this disclosure note (Reference 5 in the External Auditor report on Page 2) included in the September 2017 Audit Committee papers.
  - b) The External Auditor has completed their audit work on one area of the Statement of Accounts where adjustments were included in the September Audit Committee papers and for completeness, these have been reported by the External Auditor (Reference 1 in the External Auditor report on Page 2)
  - c) Six further adjustments have been made and agreed with the External Auditor to the Statement of Accounts presented on 26 September 2017. These adjustments that are not material but above triviality would normally have been dealt with through the delegation provided by the Audit Committee in relation to areas of remaining work flagged in the AFR (References 2-4 and 6-8 in the External Auditor Report on Pages 2 and 3) and are reported for completeness.
  - d) A small number of agreed changes, whilst trivial in nature have been made to improve the presentation of the Statement of Accounts.

- e) One unadjusted misstatement that was not material and reported within the External Audit AFR has been adjusted reducing the number of unadjusted and not material misstatements contained in the previous AFR from three to two.

10. Appendix 2 provides the final Statement of Accounts on which the External Auditor is anticipating providing an Unqualified Opinion. Appendix 3 provides a summary of those changes made to the Statement of Accounts above triviality.

11. A full reconciliation between the Draft Statement of Accounts and those presented today has been validated by External Audit.

12. The Statement of Accounts is recommended for Adoption by the Audit and Governance Committee following its review of the External Audit Update Report.

### **Next Steps**

13. The Audit and Governance Committee noted at its meeting on 26 September 2017 that two further pieces of External Audit work are required to be completed as set out below:

- a) The External Audit of the Whole of Government Accounts return; and
- b) The agreement that the Pension Fund Annual Report is consistent with the Pension Fund Statement of Accounts that was approved by the Audit and Governance Committee at its July 2017 meeting.

14. The Statutory Deadline for the Audit Opinion to be provided on the County Council's Whole of Government Accounts return is 30 September 2017. Whilst not attracting the same level of scrutiny as the Audit Opinion on the Financial Accounts pack the Audit and Governance Committee were informed at the last meeting that this deadline would not be achieved. Based on the conclusion of the External Audit of the 2016/17 Financial Accounts pack, the External Auditor will now undertake and conclude their work on the Whole of Government Accounts return and will provide their opinion on this work. The Chief Financial Officer will work with the External Auditor to conclude this work as quickly as possible.

15. The Statutory deadline for the External Auditor to agree the consistency of the Pension Fund Annual Report with the Statement of Accounts is 31 December 2017. The External Auditor anticipates being able to conclude their work in this area in accordance with this timetable.

16. Confirmation of the conclusion of these areas of work will be provided to the Audit and Governance Committee at its next meeting.

### **Contact Points**

#### County Council Contact Points

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## **Supporting Information**

- Appendix 1 – External Audit Update Letter
- Appendix 2 - Statement of Accounts 2016/17
- Appendix 3 - List of changes to the Statement of Accounts that are above triviality made since last Audit & Governance Committee Meeting
- Appendix 4 - Chief Financial Officer Letter of Representation Worcestershire County Council
- Appendix 5 - 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:

- Audit and Governance Committee Agenda Papers for its meetings on 21 July 2017 and 29 September 2017
- Statement of Accounts 2015/16
- Budget 2016/17