

## **AUDIT AND GOVERNANCE COMMITTEE**

### **26 JULY 2018**

## **ANNUAL STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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### **Recommendation**

- 1. The Chief Financial Officer recommends that the Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2018, be approved.**

### **Background**

2. The Council and Pension Fund are required to prepare annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015, and the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the Council and the Pension Fund, reflecting the Council's outturn position and the Pension Fund net asset position.
3. This report sets out the key issues arising from the external audit of the Statutory Accounts and the process for their publication. The external audit was carried out by the Council's External Auditor, Grant Thornton UK LLP, who has provided audit reports for the County Council and Pension Fund accounts. Grant Thornton are required to report on any amendments from the draft Statement of Accounts as part of the submission of the final version to the Audit and Governance Committee. The full report arising from this audit is included in the ISA 260 report to those charged with governance, which is included in the committee papers, and should be read in conjunction with this document.

### **Key issues arising**

4. The draft accounts were signed by the Chief Financial Officer and published on the Council's external website on 18 May 2018, ahead of the statutory deadline of 30 June 2018. Grant Thornton commenced their audit on 29 May 2018. The draft accounts were taken to Cabinet on 14 June 2018. The Statutory Deadline for audited accounts publication is 31 July 2018, which has moved forward from the previous deadline of 30 September.
5. The financial position reported in the Council's Statutory Accounts for 2017/18 was a small surplus of £0.188 million against the net budget of £324 million, with an accounting surplus, which includes adjustments of £50.5 million, for pension's actuarial costs, capital costs and other financial adjustments, of £64.4 million. The County Council's General Fund reserve balance has increased by £0.2 million to £12.2 million, whilst there has been a decrease of £14.1 million on available

earmarked reserves taking their balance at 31 March 2018 to £84.4 million.

6. The value of the Pension Fund's net assets increased by £220.1 million from £2,480.9 million at 31 March 2017 to £2,701.0 million at 31 March 2018. During the year a surplus resulted on the Pension Fund accounts totalling £114.8 million, an increase of £80.4 million from a surplus of £34.4 million in the previous year. This was mainly due to some Fund contributors paying their 3 year contributions fully in 2017/18, up to the next valuation in 2019, to the value of £71.2 million.

7. The external audit has identified a number of corrections which have been agreed and completed; none of these are material or require any changes to the key statements. We have also identified improvements to the process and working papers which we will implement as part of our ongoing Statutory Accounts process.

8. There have been improvements in the quality of the working papers in general, although we have experienced some issues with how we report from the e5 financial system and the quality of some source documentation. Areas for improvement have been identified, along with related training and development opportunities, and we will work to ensure that the quality of working papers continues to improve. A number of areas which caused concern in the 2016/17 accounts process have shown considerable improvement this year, specifically the Annual Governance Statement production and termination payments. These processes have a wider understanding of what is required and engagement with staff outside of finance.

9. The Value for Money assessment has concluded that the Council has proper arrangements in all significant areas, leading to a qualified "except for" conclusion in our arrangements securing economy, efficiency and effectiveness by the external auditors, with the Children's Ofsted inspection assessment and our commissioning processes as the "except for" items. Recommendations for improvement have been made by the external auditors and this will be considered alongside existing plans.

## **Contact Points**

### County Council Contact Points

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### Specific Contact Points for this report

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## **Supporting Information**

- Annual Financial Report and Statement of Accounts – separate document

## **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.