

## **AUDIT AND GOVERNANCE COMMITTEE**

### **29 JULY 2019**

## **ANNUAL STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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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 2019, 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 2016, and the 2018/19 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 17 May 2019, ahead of the statutory deadline of 30 June 2019. Grant Thornton commenced their audit on 28 May 2019. The draft accounts were taken to Cabinet on 6 June 2019. The Statutory Deadline for audited accounts publication is 31 July 2019.
5. The financial position reported in the Council's Statutory Accounts for 2018/19 was an overspend of £2 million against the net budget of £324 million, with an accounting deficit, which includes adjustments of £49.7 million, for pension's actuarial costs, capital costs and other financial adjustments, of £52.6 million. The County Council's General Fund reserve balance remains at £12.2 million, whilst there has been a decrease of £2.9 million on available earmarked reserves taking their balance at 31 March 2019 to £81.5 million.

6. The value of the Pension Fund's net assets increased by £94.3 million from £2,701.0 million at 31 March 2018 to £2,795.3 million at 31 March 2019. During the year a surplus resulted on the Pension Fund accounts totalling £16.8 million, a decrease of £98 million from a surplus of £114.8 million in the previous year. This was mainly due to some Fund contributors paying their 3-year contributions fully in 2017/18.

7. The Court of Appeal judgement in relation to the McCloud pension case has indicated that the LGPS pension fund is likely to be liable for adjustments relating to age discrimination relating to the implementation of transitional arrangements on changing benefits. The Pension Fund, on behalf of the employers in the scheme, commissioned an updated valuation for the actuary to take account of this judgement. This resulted in a £6.5 million increase in past service liabilities and a £1.3 million projected service cost increase for the County Council.

8. The external audit has identified a number of non-material corrections which have been agreed and completed. We have also identified improvements to the process and working papers which we will implement as part of our ongoing Statutory Accounts process.

9. There have continued to be improvements in the quality of the working papers in general, including how we report from the e5 financial system and the quality of some source documentation, which caused several issues in the 2017/18 accounts. Further areas for improvement have been identified including the need for increased narrative information to support the numbers in the accounts and working papers, a greater focus on the disclosure checklist to assist the external auditors in assuring that our accounts are consistent with the Code and further work to improve property, plant and equipment working papers.

10. The Value for Money assessment has concluded that the Council has proper arrangements in all significant areas, except for Children's Services where the outstanding judgement from Ofsted in respect of their recent re-inspection means the auditors are unable to conclude their work at the time of writing this report. It is expected that this report will be issued before the end of July and there will be a verbal update during committee.

## **Contact Points**

### County Council Contact Points

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## **Supporting Information**

- Appendix: Annual Financial Report and Statement of Accounts

### **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.