



<u>Committee and date</u>	<u>Item</u>
Audit Committee 23 July 2019	Public

FINDINGS REPORT SHROPSHIRE COUNCIL 2018/19

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1. Summary

- 1.1 The audit on the Statement of Accounts is due to be completed by 31st July and once complete, Grant Thornton produce an Audit Findings Report detailing their opinion on the accounts. The Findings Report is included as Appendix 2 to this covering report.
- 1.2 The draft Statement of Accounts, as at 31 May 2019, was considered and reviewed by the Audit Committee on 27 June 2019. During the months of June and July, Grant Thornton have been carrying out an audit of the draft Statement of Accounts.
- 1.3 During the course of this work by Grant Thornton, and in agreement with the Council, a small number of changes to the draft Statement of Accounts have been made.
- 1.4 Rather than issue a complete statement, it has been decided to include within this report the changes (highlighted in green) that have been made to the draft Statement of Accounts, and a revised Statement of Accounts will be circulated electronically which highlights each change made. The final copy of the Statement of Accounts appearing on the Council Website on 31 July 2019 will reflect all these changes, following Council approval of the accounts on 25 July 2019. Any further changes identified prior to the 31 July will be agreed between Grant Thornton and the Director of Finance, Governance and Assurance and amended in the final published copy of the Statement of Accounts.

2. Recommendations

It is recommended that Members:

- A. Note the Audit Finding Report
- B. Note the changes to the 2018/19 Statement of Accounts.

REPORT

3. Amendments made to the 2018/19 Statement of Accounts

- 3.1 The changes made to the Statement of Accounts are summarised in Table 1 with further details of the amendments provided in Section 3.2.

Table 1 : Amendments to Statement of Accounts

Amendment Reference	Amendment Made
A	Narrative report amendments
B	Effects of McCloud judgement and pension assumptions on the Statement of Accounts
C	Change to Accounting Policy
D	Amendments to Commercial Services outturn position
E	Correction to categorisation of Revenue Support Grant
F	Change to capital commitments reported.
G	Change to table heading
H	Amendment to capital expenditure and financing note.
I	Amendment to leases figures reported
J	Amendments to totals in financial instrument tables.
K	Update titles of senior staff in Officer Remuneration note.
L	Updates to Trust Accounts for audited accounts
M	McCloud implications for ST&RH reflected in Group Accounts
N	Audit amendments to Pension Fund accounts

- 3.2 The below amendments have been made to the Statement of Accounts.

Amendment A – Narrative Report

Minor typographical and grammar changes have been made to the narrative report. Also the graph reporting revenue service expenditure has been updated for the titles on the key, and the Actual Capital Financing graph has been updated for a revised footnote.

The pension liability figure reported in the narrative report has also been updated to reflect the McCloud and updated pension assumptions figures.

* Page Numbers referenced relate to the Appendix 1 Statement of Accounts

Amendment B – McCloud judgement and pension assumptions amendments

As a result of the McCloud judgement on pension schemes, it was agreed that a revised actuary statement would be requested to consider the impact. As this was now being updated as at the year end, the pension scheme assumptions were also

updated as at the 31 March 2019 as these had previously been estimated. The impact of these two changes are as follows:

McCloud – increase in pension reserve/liability of £5.855m

Assumption Changes – increase in pension reserve/liability of £5.964m

These changes affect the Statement of Accounts in numerous sections as detailed below:

Page 18	– Comprehensive Income and Expenditure Statement
Page 19	– Movement in Reserves Statement
Page 21	– Balance Sheet
Page 22	– Cash Flow Statement
Page 46	– Note 5. Events After Reporting Period
Page 47	– Note 6. Expenditure and Funding Analysis
Page 49	– Note 7. Note to the Expenditure and Funding Analysis
Page 53	– Note 8. Expenditure and Income Analysed by Nature
Page 82, 85	– Note 29. Unusable Reserves
Page 86	– Note 30. Cash Flow Statement – Operating Activities
Page 94 – 98	– Note 42. Defined Benefit Pension Schemes
Page 106-121	– Group Accounts

Amendment C - Page 23; Accounting Policy 1.1. General

The following addition has been made to the General Accounting Policy.

The accounts have been prepared on the assumption that the Council will continue to operate for the foreseeable future. This assumption is made because the Council carries out functions essential to the local community and are themselves revenue-raising bodies. If the Council were in financial difficulty alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

Amendment D - Page 47 and 49; Note 6. Expenditure and Funding Analysis and 7. Note to the Expenditure and Funding Analysis

The valuation changes to the Shopping Centre were not initially reflected in the Outturn report that was reported to Cabinet as they were received later than the reporting date. These notes have now been updated to reflect these amendments.

Amendment E - Page 53; Note 8. Expenditure and Income Analysed by Nature

The Revenue Support Grant (£13.301m) had incorrectly been classified under the Income from council tax, non domestic rates line. This has now been recategorised under Government grants and contributions.

Amendment F - Page 62; Note 15. Property Plant & Equipment

An incorrect figure had been included for the capital commitment for the Tannery development, therefore this has been corrected.

Amendment G - Page 66; Note 17. Long Term Unquoted Equity Investment

The heading Impairment within the table has been amended to Revaluation.

Amendment H - Page 67; Note 18. Capital Expenditure and Financing

Corrections have been made to where the unit subscriptions for the shopping centre have been reported.

Amendment I - Page 70; Note 20 Leases

The opening balance for the Waste PFI had incorrectly been reported instead of the closing balance within Finance Leases.

Amendment J - Page 72; Note 21 Financial Instruments

Corrections to the subtotals and totals have been made within the Financial Asset and Financial Liabilities table within the Financial Instrument note.

Amendment K - Page 89; Note 36 Officers Remuneration

The senior management post titles have been updated for the Director of Legal and Democratic Services, Director of Finance, Governance & Assurance and the Director of Workforce & Transformation.

Amendment L - Page 103; Note 47 Trust Accounts

Following the audit of the trust accounts for Shropshire Youth Foundation and Sight Loss Shropshire, the figures for these trust accounts have been updated.

Amendment M - Pages 106 – 121; Group Accounts

The McCloud judgement also affects Shropshire Towns & Rural Housing, therefore the accounts for this entity have also been amended. As a result, Group Accounts have been amended to reflect the adjustments that ST&RH have made for McCloud.

Amendment N – Pages 128 – 167; Pension Fund Accounts

There have been some minor amendments to the Pension Fund accounts to reflect the audit changes required, and therefore these amendments have been reflected within Shropshire Council's Statement of Accounts.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Approval of the Council's Statement of Accounts 2018/19. Audit Committee 27 June 2019

CIPFA's Code of Practice (Code) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2018/19

Cabinet Member (Portfolio Holder)

All

Local Member

All

Appendices

1. Statement of Accounts 2018/19 – Audit Changes Highlighted (electronic only)
2. The Audit Findings for Shropshire Council Year Ended 31 March 2019