



<u>Committee and date</u>	<u>Item</u>
Council 25 July 2019	
	<u>Public</u>

## FINAL STATEMENT OF ACCOUNTS 2018/19

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### 1. Summary

- 1.1 This covering report and attached Annual Statement of Accounts, present to Members the final audited outturn position for the financial year 2018/19 and details any amendments made to the Draft Statement of Accounts during the audit process.
- 1.2 The audit on the Statement of Accounts is due to be completed by 31<sup>st</sup> July and once complete, Grant Thornton produce an Audit Findings Report detailing their opinion on the accounts. The Audit Findings Report is attached to this report as Appendix 3, however it should be noted that is the draft report and the audit opinion will not be issued until the audit work is complete.

### 2. Recommendations

It is recommended that Members:

- A. Consider and approve the 2018/19 Statement of Accounts and that the Chairman of the Council signs them (in accordance with the requirements of the Accounts and Audit Regulations 2015).
- B. Agree that the Director of Finance, Governance and Assurance be authorised to make any minor adjustments to the Statement of Accounts prior to the 31st July 2019.
- C. Agree that the Director of Finance, Governance and Assurance and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1. Details of the potential risks affecting the balances and financial health of the authority are considered within the Statement of Accounts.

### **4. Financial Implications**

- 4.1. This report considers the overall financial position of the Authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the Authority, and the level of balances of held.

### **5. Background**

- 5.1. The Accounts and Audit Regulations 2015 state that members are required to approve the annual accounts after, rather than before, the findings of the audit are known. The formal date for approval and publication of the accounts is 31 July.
- 5.2. A copy of the 2018/19 Statement of Accounts is attached at Appendix 1. The Council's external auditors, Grant Thornton, have audited the accounts during June and July. The audit of the accounts is substantially complete and the Auditor has indicated that an unqualified audit opinion will be issued on the accounts, subject to the successful completion of the outstanding matters.
- 5.3. The Accounts and Audit Regulations 2015 also require that the Statement of Accounts is accompanied by the Council's Annual Governance Statement which details the processes and procedures in place to enable the council to carry out its functions effectively. The Annual Governance Statement was considered by the Audit Committee on 27 June 2019 and is attached at Appendix 2.

### **6. External Audit Opinion**

- 6.1. Grant Thornton are expected to provide an unqualified audit opinion on the Statement of Accounts and therefore should report as follows.

“In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2019 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.”

- 6.2 Grant Thornton have produced the Audit Findings Report on the 2018/19 Statement of Accounts, and this is attached at Appendix 3.

## **7. Changes from the Draft Statement of Accounts Certified by the Director of Finance, Governance & Assurance on 31 May 2019**

- 7.1 There have been no material changes identified during the audit, however the main change affecting the accounts relates to the McCloud judgement which affects all pension schemes nationally. Following discussion of the matter with Grant Thornton it was agreed that the Council would obtain a revised actuary statement to consider the impact on the pension liability and reserve within the accounts. The effect of the McCloud judgement was an increase in the pension liability/reserve of £5.855m however as the actuary statement was recalculated after the 31<sup>st</sup> March, updated assumptions were used from the estimates previously included within the accounts. This had the effect of increasing the pension liability/reserve by £5.964m. The effect of these two changes impacted on a number of core financial statements within the accounts and notes to the core financial statements.

In addition to this change, there have been a number of other amendments made to the disclosures, all with the agreement of Grant Thornton. The changes are listed below:

- An addition to the accounting policy to confirm the principle of going concern for the Council.
- Corrections to the categorisation of Revenue Support Grant which had been incorrectly included within council tax and non domestic rates.
- Corrections to capital commitments reported.
- Amendments to the capital expenditure and financing note for the treatment of unit subscriptions for the shopping centre.
- Minor amendments to other disclosures to address inconsistencies.
- Minor typographical amendments have been included across the Statement of Accounts.
- Group accounts have been amended to reflect the changes to Shropshire Towns & Rural Housing accounts resulting from the McCloud judgement.
- Audit amendments made within the Pension Fund Accounts have now been reflected within the Pension Fund section of the Statement of Accounts. These were minor changes to disclosures and presentational adjustments with no amendments required to the prime financial statements.

## **8. Letter of Representation**

- 8.1 The Council is required to produce a letter of representation for the external auditors which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditors. External audit will only sign off the accounts once this letter has been received.
- 8.2 For Shropshire Council, this letter is produced in consultation with the external auditor, signed by the Director of Finance, Governance and Assurance and the Chairman of the Audit Committee and issued prior to the publication date of 31<sup>st</sup> July 2019.

**List of Background Papers (This MUST be completed for all reports, but does**

**not include items containing exempt or confidential information)**

Annual 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. Audited Statement of Accounts 2018/19
2. Annual Governance Statement
3. Audit Findings Report 2018/19