



COTSWOLD DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE - 26TH SEPTEMBER 2019
Report Number	AGENDA ITEM (09)
Subject	STATEMENT OF ACCOUNTS 2018/2019
Wards affected	All
Accountable member	Cllr. Mike Every Deputy Leader and Cabinet Member for Finance
Accountable officer	Jenny Poole, Chief Finance Officer Tel: 01285 623313 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	This report presents the Council's audited Statement of Accounts for the period 1st April 2018 to 31st March 2019 to enable the Committee to consider and approve the Council's accounts.
Annexes	Annex A - Grant Thornton report - "The Audit Findings for Cotswold District Council" Annex B - Statement of Accounts 2018/19 Annex C - Letter of Representation
Recommendation/s	<i>(a) That the Grant Thornton Audit Findings for Cotswold District Council report be noted.</i> <i>(b) The Statement of Accounts 2018/19 be approved.</i> <i>(c) That the Chief Finance Officer and the Chairman of the Audit Committee be authorised to write a letter of representation on behalf of the Committee and Council to Grant Thornton to enable the opinion to be issued.</i>
Corporate priorities	To be recognised as the most efficient Council in the country.
Key Decision	No
Exempt	No
Consultees/ Consultation	N/A

1. BACKGROUND

- 1.1.** The Council's Chief Finance Officer is responsible for ensuring that the statement of accounts are prepared and published no later than 31st May immediately following the end of a year. On 31st May, the statement of accounts is submitted to the Council's auditors, Grant Thornton, to undertake the formal audit of the accounts.
- 1.2.** It is the role of Audit Committee to formally approve the Statement of Accounts, along with the Grant Thornton Audit Findings Report, on behalf of the Council, following the completion of the audit process.
- 1.3.** The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.

2. MAIN POINTS

- 2.1.** In previous years the audited Statement of Accounts, along with the Grant Thornton Audit Findings Report, would have been presented to the Audit Committee for formal approval prior to 31st July. Due to resourcing issues within Grant Thornton the 2018/19 audit was not complete by the end of July and the draft (unaudited) accounts were presented to the Committee to review and approval.
- 2.2.** The audit is now complete. Attached to this report at Annex A is the Audit Findings Report for Cotswold District Council. The report details all of the work that Grant Thornton has undertaken as part of their formal audit of the accounts. It outlines the key findings and matters arising from the statutory audit process.
- 2.3.** The Statement of Accounts attached to this report represents the audited accounts following the completion of the audit and incorporate a number of changes that are required following review by Grant Thornton.

Summary of changes resulting from the audit

- 2.4.** The main changes resulting from the audit related to the pension fund and asset revaluations, as follows:
McCloud Judgement (Pensions)
- 2.5.** In 2014 the Local Government Pension Scheme (LGPS) was reformed and transitional protections were applied to certain older members close to retirement age. In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling is expected to apply to other pension schemes, such as the Local Government Pension Scheme (LGPS), where transitional arrangements have been implemented on changing benefits.
- 2.6.** The draft Statement of Accounts presented to Grant Thornton at the end of May did not make any adjustments or allowances for the McCloud ruling; however, a

disclosure was included under the notes related to accounting for the defined benefit pension scheme (the Local Government Pension Scheme). Revised figures have been sought from the Gloucestershire County Council Pension Fund's Actuary to take account of the potential impact that the McCloud ruling will have on the fund valuation. A revised IAS19 [valuation] report was issued in July by the Pension Fund, resulting in an increased in the deficit on the Cotswold share of the fund of £750,000 (from the McCloud adjustment and calculations based upon the actual return on assets rather than estimated returns). The effect of the recalculation has been applied in full to the Statement of Accounts. The 'net worth' of the Council has decreased by £750,000 as a result of the changes.

Accumulated Depreciation on Asset Revaluations

- 2.7.** When assets are formally revalued any depreciation balance that has accumulated since the last revaluation is written-out of the accounts and asset values are effectively 'reset'. The accumulated depreciation balance written-out on the 2018/19 revaluations was incorrectly transferred from the *Capital Adjustment Account (CAA)*, to the *Comprehensive Income and Expenditure Statement (CIES)* and reversed through the *Movement on Reserves Statement (MiRS)*, to the *Revaluation Reserve (RR)*. The transactions should not have been transferred in this way (and should have gone directly from the *CAA* to the *RR*) and had the effect of netting-down the depreciation charge shown for the year. The incorrect entries have been reversed and the correct balances are now shown in the accounts.
- 2.8.** The adjustment was for £1,080k and had had the effect of increasing the *Surplus on the Provision of Services* figure in the *CIES*. The adjustments however do not change the surplus for the year on the General Fund, or the 'net worth' of the Council, as the reversing *MiRS* entry has also been deleted.

Misclassification and disclosure changes

- 2.9.** A small number of other misclassification and disclosure changes have been made to the accounts. These changes represent less significant amendments, including changes to notes where expanded explanation has been necessary and other minor presentational adjustments (such as roundings within tables and the correction of spelling mistakes) to improve the quality of disclosures in the accounts. These are detailed in the 'audit adjustments' section of the Grant Thornton report (p.28) at Annex A. Although a number of changes have been made, they do not affect the 'net worth' of the Council.

The letter of representation

- 2.10.** To complete the Audit process the Council is required to submit a letter of representation to Grant Thornton to complement the financial statements and to outline the areas considered in stating that the financial statements give a 'true and fair view' on the accounts, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.
- 2.11.** The Chairman of the Audit Committee and the Chief Finance Officer are asked to sign the Letter of Representation, under Recommendation (c) to this report. Grant Thornton are not able to issue their opinion on the accounts until the letter of representation has been received.

3. FINANCIAL IMPLICATIONS

- 3.1.** The Council Audit and Inspection fees for the 2018/19 year (excluding grant certification work and ad hoc work) are £34,557 as detailed in the Grant Thornton Audit Finding Report. Grant Thornton have claimed for additional audit fees of £4,500 as a result of the McCloud case impact upon the pension fund disclosures and enhanced work and documentation relating to the valuation of property, plant and equipment. The Council's contract for external audit services was procured as part of the Public Sector Audit Appointment Ltd (PSAA) national procurement. As the additional fees requested are based upon changes imposed upon the external auditor at a national level, the increased fees will be referred to PSAA for consideration. Grant Thornton will need to justify the fee increase to PSAA.

4. LEGAL IMPLICATIONS

- 4.1.** The Council is required to approve its Statement of Accounts in order to comply with the Accounts and Audit Regulations 2015.

5. RISK ASSESSMENT

- 5.1.** If the Audit Committee do not approve the audited Statement of Accounts the Council will not comply with the Accounts and Audit Regulations 2015.
- 5.2.** The Auditor is not able to certify the Statement of Accounts 2018/19 until signed copies of the legal agreement between Gloucestershire County Council, Cotswold District Council and Publica have been received. The wording of the legal agreement has been agreed by the Council's Chief Finance Officer, the Finance Director of Publica and the Pension's team at Gloucestershire County Council. At the time of preparing this report the Agreement is in the process of being formally signed by the three parties.

6. BACKGROUND PAPERS AND RELATED DECISIONS

- 6.1.** The following decisions are related to the report:
- 20th February 2018 - Council approved the 2018/19 budget.
 - 1st July 2019 - Cabinet approved the Revenue Outturn 2018/19 report.
 - 25th July 2019 - Audit Committee reviewed and approved the draft Statement of Accounts.

(END)