

Committee:	Governance, Audit and Performance Committee	Date:	Thursday, 25 July 2019
Title:	Statement of Accounts 2018/19		
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Summary

1. The Statement of Accounts for 2018/19 has been subject to a full audit process and an unmodified (unqualified) audit opinion is expected, which would be the 11th consecutive year that this has been achieved.
2. The Statement of Accounts includes a section which details the consolidated group accounts, relating to the councils investment in Aspire (CRP) Ltd.
3. The audit opinion also states that the council has proper arrangements in place to ensure the secure economy, efficiency and effectiveness in the use of resources maintaining 'Value for Money' status for the 9th successive year.
4. The approval of the accounts should be considered in the context of the External Auditor's Completion Report (ACR), as set out in agenda item 3.
5. The ACR details some items which are outstanding at the point of publishing, it is expected that the audit will be complete by the 25 July and a verbal update will be provided by the Senior Audit Manager at the meeting.
6. The Council is required to issue a Letter of Representation to the External Auditor. The Committee is required to consider and approve the wording of this letter, attached as Appendix A to this report.
7. The following documents require formal sign off at this meeting, following approval by the Committee:
 - Letter of Representation and the Statement of Accounts – by the Section 151 Officer and the Chairman of the Governance, Audit and Performance Committee.
 - Annual Governance Statement (which forms part of the Statement of Accounts) – by the Chief Executive and the Leader of the Council.

Recommendations

8. The Committee is recommended to approve;
 - a) The Letter of Representation attached to this report as Appendix A
 - b) The audited 2018/19 Statement of Accounts as presented with this report

Financial Implications

9. None

Background Papers

10. None

Impact

11.

Communication/Consultation	N/A
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

Situation

12. The auditors identified 2 items that have been adjusted in the final accounts, these are detailed below;

- I. An adjustment of £1.9 million was added to Capital Adjustment Account and should have been included in the Revaluation Reserve; this was a notional adjustment to the accounts and had no direct financial impact.
- II. The Housing Benefits Subsidy Claim was resubmitted due to calculation of housing rent rebates including future year payments. This reduced the 2018/19 claim by £238,000 and this was reflected in the final outturn report presented to Cabinet on 15 July.

13. The auditors identified another 3 errors which following discussions with the auditors it was agreed not to adjust in the 2018/19 accounts. The items identified will be adjusted during the current financial year and reflected correctly when closing the accounts for 2019/20. The effect of actioning these adjustments would have reduced the surplus by a total of £67,000 and these are listed below:

- I. Revaluation amount of £365,000 was credited to the revaluation reserve and should have been reflected in services.
- II. £149,000 formula error on the external valuer's report.
- III. £149,000 of assets that did require indexing on the external valuer's report.

14. The only other items to bring to the attention of the Committee are:

- I. Prior Period Adjustment – In 2017/18 the council adopted the policy to follow the accounting for forward contracts on fixed rate debt instruments for the forward starting loans. On that basis cash flow hedge accounting was applied to remove the Profit and Loss volatility and set up a cash flow hedge reserve. This accounting policy was reviewed in 2018/19 and it was established that the forward starting loans be re-classified as loan commitments and not treated as a derivative. This simpler form of accounting also removed the need for complex cash flow hedging transactions. This change to the policy reduced the surplus for 2017/18 by £14,000.
- II. Pension Fund – The McCloud Judgement was a ruling that younger workers were being discriminated against in the pension scheme and had been subject to an appeal. Although this was directly related to Judges and Firefighters the ruling could have implications for all Local Government Public Sector organisations. In real terms this could increase the council's pension liability and the possible future value of this has been calculated by the Actuary at £722,000. The council was unaware of this at the time of publishing the draft accounts and it was agreed with the auditors that we would not adjust for this in the current year accounts.

Risk Analysis

15.

Risk	Likelihood	Impact	Mitigating actions
There are no risks as the accounts have been subject to an external audit	N/A	N/A	N/A

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.