



Report of: Chief Accountant (Deputy s151 Officer)

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	29 July 2019		ALL

STATEMENT OF ACCOUNTS 2018/19 (INCLUDING PENSION FUND ACCOUNTS) AND AUDIT FINDINGS REPORT

1. SYNOPSIS

- 1.1 Islington is determined to achieve its vision of a “Fairer Islington”. Significant amongst these is the achievement of sound financial management and confidence in this Council’s financial future. This report sets out the Statement of Accounts for 2018/19. It demonstrates sound financial management and provides evidence to stakeholders that they should have confidence in the Council’s financial future.

2. RECOMMENDATIONS

- 2.1 To approve the 2018/19 Statement of Accounts, Pension Fund Accounts and the accompanying Annual Governance Statement.
- 2.2 To note the auditor’s Audit Findings Reports and Value for Money conclusion.
- 2.3 To agree the action plans of recommendations in the Audit Findings Reports.
- 2.4 To approve the letter of representation set out in Appendix B.

3. BACKGROUND

- 3.1 The purpose of this report is to report the outcome of the audit of the draft Statement of Accounts that were presented to the Auditors at the end of May 2019 and the details of the Auditor's Audit Findings Report.
- 3.2 The Committee is required to approve the Statement of Accounts by 31 July 2019, including the accompanying Annual Governance Statement (as approved at the June Committee).
- 3.3 There is also the requirement that a general letter of representation on behalf of the Council's management be provided to the Auditor.

4. STATEMENT OF ACCOUNTS 2018/19

- 4.1 The Council is required to prepare financial accounts covering the period from 1st April to 31st March, each year. These statements have to be presented in the required statutory format, following the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code)*, which means that the financial information contained in the Statement of Accounts will be presented in a different way to how it is normally reported in financial monitoring reports.
- 4.2 This was the second year of the new earlier submission deadlines, when both the Council and the Auditors have one less month than before to complete their respective tasks. The shorter timescales have required both the Council and its auditors to complete their work in a more intense way. Additionally, this was the first year of the Council's new auditors, Grant Thornton, and required them to undertake greater work than in a normal audit year to gain adequate assurance over and knowledge of the Councils' financial accounts and the systems underpinning them.
- 4.2 Between Monday 3rd June and Friday 12th July, the accounts and supporting documentation were made available for public inspection. During this period the Auditors have and will consider any questions or objections relating to the accounts. The relevant statutory public notice was published on the Council's website.
- 4.3 After several years of continuous major changes there were only a few, but important changes in accounting requirements or policies since the previous year. These will be explained in a presentation at the Committee meeting but there were no significant implications of these changes to the Council's Statement of Accounts. The focus this year was in meeting the shorter timescales, supporting the new auditors and demonstrating the impact of these changes. The audit has shown that the Council has successfully managed these issues without impacting on the quality of the financial information.

Quality Assurance

- 4.5 As in previous years, the closing of accounts timetable, despite staff vacancies, had a process of internal quality assurance.

Highlights

- 4.7 The Statement of Accounts is a very complex document. In order to aid understanding, a presentation will be made setting out the key elements and highlights from the accounts.

- 4.8 The Statement of Accounts (including Pension Fund) are expected to receive a clean audit opinion from the Council's auditors. The Auditor has found the draft accounts submitted to audit to be on time and complete. Two changes have been made, one immaterial and one material. The immaterial adjustment relates to the inclusion of a Section 75 Pooled Budget in the draft accounts meaning the gross income and expenditure within Adults Social Services was overstated by £2.8m each. This has been adjusted for and there was no impact on the net expenditure.
- 4.9 The material adjustment is due to an event beyond the Council's control. Since the publication of the draft accounts on 31st May 2019, the Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. This is known as the McCloud Case. The legal ruling around age discrimination has implications not just for these pension schemes, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. The Council's Pension Fund Actuaries have reviewed the implications of this ruling upon the Council's Pension Fund liabilities and have determined that the liability has increased by £103m. As this is a material amount the Accounts have been adjusted accordingly.
- 4.10 No other material adjustments are proposed to the Council's Accounts.
- 4.11 The Auditors are also reporting that supporting working papers supplied during the audit were of a high quality and Council officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
- 4.12 The Statement of Accounts should be formally published with the audit opinion at the end of July.

5. AUDIT FINDINGS REPORT

- 5.1.1 The Auditor's draft Audit Findings Reports for the year ended 31 March 2019 are attached at Appendix A. They summarise the findings of the 2018/19 audit which is substantially complete, with just a few queries remaining at the time of writing.
- 5.1.2 The Auditor will attend the meeting of the Committee to present his findings and update the Committee on any matters that may have arisen since the publication of his report. The key elements of the report are summarised below.

Value for Money Conclusion

- 5.2 The Auditor intends to issue an unqualified conclusion that the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Management Representation Letter

- 5.3 It is a requirement of the International Auditing Standards for the Auditors to request a letter from the Council that sets out various representations. Appendix B sets out a draft of the letter that will be signed by the Council's Statutory 151 Officer and Chair of the Audit Committee on behalf of the council's management. If there is any material change to the letter prior to its signing and communication to the Auditor, this will then need to be reported to the Committee.

Adjusted Amendments

- 5.4 The Council's main Statements of Accounts were free from material error. Apart from the McCloud Case adjustment (detailed in paragraph 4.9), the Audit Findings Report should confirm that only very minor presentational or immaterial adjustments were made to the Statements.

Unadjusted Amendments

- 5.5 There was one proposed amendment to the prior year figures in the Statements of Accounts which the Council had decided not to adjust for on grounds of materiality. The adjustment would have moved £18m from Debtors to the Pensions Liability. As it would be an adjustment between two elements of the Balance sheet the net position would not have changed.

Recommendations

- 5.6 The auditor has made a number of recommendations to further improve system controls. The Council has accepted all of these and believes it can address them in a timely manner.

6. IMPLICATIONS

Financial Implications

- 6.1 These are contained within the body of the report.

Legal Implications

- 6.2 Section 3(3) of the Local Audit and Accountability Act 2014 and Regulation 7 of the Accounts and Audit Regulations 2015 require a local authority to prepare an annual statement of accounts. Regulation 9(1) requires that the responsible financial officer (the Section 151 officer) certifies the statement no later than 31st May following the end of the financial year. The statement must be recertified, considered, approved by the Council or an appropriate committee and published (along with the auditor's opinion) by no later than 31st July (Regulations 9(2) and 10(1)). As the approval of accounts is a non-executive function, the appropriate committee is the Audit Committee. Regulation 9(2) requires the approved accounts to be signed by the person presiding over the meeting that approved them, in other words, by the chair. Following approval by the committee and signature by the Chair, the accounts will then be formally posted onto the Council's website and copies will be distributed as appropriate. The annual governance statement must also be approved by the committee (approved June 2019 Committee) and published on the council's website by 31 July (regulations 6(2) and 10(1)).

Environmental Implications

- 6.3 There are no direct environmental implications.

Resident Impact Assessment

- 6.4 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have

due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment has not been carried out in this instance, since the production of the Statement of Accounts is a legal requirement.

7. CONCLUSION

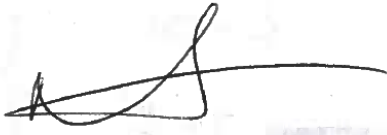
- 7.1 The significant effort of all concerned in producing the statement of accounts and supporting the audit has been rewarded with a clean audit sign-off and an encouraging Audit Findings Report. The Audit Committee can be confident that the Council is well positioned to continue to report its financial activities and address the recommendations made by the auditors.

Appendices

- A Audit Finding Reports 2018/19
- B Letter of Representation
- C Statement of Accounts 2018/19 including Pension Fund Accounts
- D Annual Governance Statement 2018/19

Background papers:

None

Signed by		
	Chief Accountant / Deputy s151 Officer	Date 24 July 2019

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