



Report to: Audit Committee, 29th July 2019

Report of: Head of Finance

Subject: EXTERNAL AUDIT REPORT, LETTER OF REPRESENTATION AND STATEMENT OF ACCOUNTS 2018/19

1. Recommendation

- 1.1 **The Audit Committee consider the findings, recommendations and responses in the external auditors report 'Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2019'.**
- 1.2 **The Audit Committee reviews the proposed 'Letter of Representation', endorses the content and recommends approval by the Council's statutory officers.**
- 1.3 **The Audit Committee note the draft audited 'Statement of Accounts' and recommends its formal adoption.**

2 Background

- 2.1 In March 2019, the Audit Committee received the Audit Plan for 2018/19 from Ernst Young. This identified the programme of work for the year and the approach to completing the work.
- 2.2 The Statement of Accounts includes reference to the Annual Governance Statement which the Audit Committee is separately being asked to approve as part of this committee meeting.

3 The Audit Findings for Worcester City Council

- 3.1 This report covers the key issues arising from the audit of the Statement of Accounts and on the Value for Money conclusion.
- 3.2 The key headlines from the report, **Appendix 1**, are:
 - 3.2.1 Ernst Young's work is substantially complete. They anticipate providing an unqualified audit opinion on the Statement of Accounts, and an unqualified Value for Money conclusion.
 - 3.2.2 During the course of the audit work, the courts issued a judgement relating to pensions in the public sector. Known as the McCloud case, this prompted a reworking of the pensions statement provided by the actuary and a full restatement of the pensions figures provided in in the draft Statement of Accounts.

3.2.3 The audit work identified two amounts that required reclassification in the balance sheet. These are noted on page 20 of **Appendix 1** and have now been adjusted.

1. A balance of £128k owed to the Council by the Hopmarket charity had been included as a negative figure in creditors and should in fact be a debtor.
2. The 2017/18 surplus of £912k had been treated as an adjustment of the opening balances between the general Fund and Earmarked Reserves. In fact this should have been reflected in the 2018/19 Movement in Reserves Statement (MIRS) as it took place during the year.

3.2.4 The audit work identified one minor amount that has been noted as an unadjusted difference. This is set out on page 21 of **Appendix 1** and is summarised as:

Capital Accruals understated: an invoice for £66k (£55k plus VAT) relating to the Cinderella pavilion project was received on 29th March 2019 but not passed to the Finance team until the end of April when the supplier called about the non-payment. As no purchase order had been raised, there was no accrual made in the year-end accounts.

Although the draft accounts were not issued until the end of May, the capital section was completed in April. As this adjustment was not material to the accounts and did not impact the Council's Income and Expenditure account, the decision not to adjust for it was taken.

3.2.5 The Statement of Accounts and the associated working papers were produced on time and in accordance with the CIPFA Code of Practice and IFRS.

3.2.6 The final audited Statement of Accounts is attached at **Appendix 3**. Ernst Young acknowledged that the Council continues to have good arrangements in place to produce complete and well supported accounts by the statutory deadline.

4 Letter of Representation 2018/19

4.1 The draft Letter of Representation is included as **Appendix 2**. The s151 Officer will sign off this letter after making appropriate enquiries of other officers and members that they are happy with the representations that are made in respect of the audit of the Statement of Accounts 2018/19. The Members of the Audit Committee are asked to formally record whether, to the best of their knowledge, they are satisfied that the letter may be signed in good faith.

5 Statement of Accounts 2018/19

5.1 The Statement of Accounts 2018/19 was prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2018/19 and International Financial Reporting Standards (IFRS).

5.2 In accordance with regulations, the draft (unaudited) Statement of Accounts 2018/19 was approved by the Council's s151 Officer on 31st May 2019 and was made available on the Council's website. The accounts were then subject to independent audit by our external auditors; Ernst Young. The audit work took place during June and July.

5.3 Once formally approved by this Audit Committee, The Statement of Accounts will be placed on the Council's website.

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Background Papers: None