

**Audit and Risk Management Committee**  
**Monday, 23 September 2019**

<b>REPORT TITLE:</b>	<b>STATEMENT OF ACCOUNTS 2018/19 FOR WIRRAL COUNCIL AND MERSEYSIDE PENSION FUND</b>
<b>REPORT OF:</b>	<b>Director of Finance &amp; Investment (S151)</b>

**REPORT SUMMARY**

The Council's Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee.

The draft Statement of Accounts for 2018/19 was initially published on 31 May 2019, followed by an updated version on 31 July 2019, which includes:

- Additional pension fund liabilities, following a recent court ruling on the McCloud & Sargeant case;
- Changes to the accounting treatment of the Minimum Revenue Provision (MRP); and
- Additional disclosures to reflect the impact of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'.

Further details of these changes are included in the Accounts Publication Notice (Appendix 1). This document was published with the draft Statement of Accounts on 31 July 2019, to meet the Council's statutory obligation to disclose the reasons for the external Auditors - Grant Thornton LLP - being unable to complete their audit by this date.

Recent statistics published by the Public Sector Audit Appointments Limited (PSAA) confirm that 40% of Local Authority audits had not concluded by the target date of 31 July.

The latest Accounts of Wirral Council have however now been subject to audit and Grant Thornton LLP will present their Audit Findings Report (AFR), together with any additional update, to this meeting.

The Committee is asked to:

- Consider the audit findings of Grant Thornton (Appendix 2) and agree any actions for 2019/20;
- Approve the Statement of Accounts for 2018/19 (Appendix 3); and
- Agree the Letter of Representation (Appendix 4).

This will enable the Council to comply with its statutory obligation to publish the Statement of Accounts - which includes the Annual Governance Statement, Narrative Statement and Audit Opinion – as soon as reasonably practicable after receipt of the Audit Findings Report.

The Statement of Accounts includes the Merseyside Pension Fund (MPF) Accounts, as Wirral Council is the Administering Authority for MPF. As the MPF receives a separate Audit Findings Report (Appendix 5), this has to be considered by the Pensions Committee (Appendix 6 & 7) and also this Committee as part of approving the Accounts.

## **RECOMMENDATION/S**

The Audit and Risk Management Committee is requested to:

- i. Consider the Audit Findings Report presented by Grant Thornton, agreeing the actions taken over the amendments to the Statement of Accounts referenced in Section 3.
- ii. Consider and approve the Statement of Accounts for 2018/19 as presenting a true and fair view of the Council's income and expenditure for the year and its overall financial position; and
- iii. Agree for the Chair and Director of Finance and Investment (S151) to sign and date the Letter of Representation.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.0 The Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council, which is a requirement under the Accounts and Audit Regulations 2015.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 The Statement of Accounts has to be produced in accordance with statutory guidance. The Statement is subject to review by the appointed Auditor and must be published by 31 July each year. If the audit has not concluded by 31 July – as was the case this year - the Council is required to publish the reasons for this under Section 10.2a of the Regulations. (See Appendix 1).

### **3.0 BACKGROUND INFORMATION**

- 3.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2019 in accordance with prescribed guidance – the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This Code is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present a true and fair view of the financial position.
- 3.2 The Accounts and Audit Regulations 2015 require that the Council produces a Statement of Accounts for each year which meets set requirements. The Regulations 2015 state that the Accounts must be approved by an appropriate Committee by 31 July - subject to the external audit being completed by that date. Where the audit has not concluded, the Council is required to publish the reasons for this and to publish the Accounts as soon as reasonably practicable after the issue of the Audit Findings Report.
- 3.3 The Director of Finance and Investment, as Section 151 Officer, certified the initial draft Accounts by 31 May 2019, in line with the statutory deadline, and certified the updated version issued on 31 July, following the changes highlighted in Appendix 1. On both of these dates, the latest draft Statement of Accounts was made publicly available to meet statutory deadlines.
- 3.4 The Accounts published at 31 July 2019 have been subject to audit. Under National Audit Commission audit arrangements for Local Government, Grant Thornton UK LLP (as the Council's appointed external auditor,) report on the financial statements and also on the Value for Money conclusion, as documented within the Audit Findings Report.

3.5 The Director of Finance and Investment is required to re-certify the presentation of the Statement of Accounts. The Regulations require the Accounts to be considered and approved by Members prior to final publication. For Wirral Council, this role is for this Committee. The Accounts must also be signed and dated by the Chair of this Committee prior to their publication on the Council website, with any certificate, opinion, or report issued, by Grant Thornton LLP.

### **3.6 AMENDMENTS TO THE STATEMENT OF ACCOUNTS**

3.6.1 Amendments to the financial statements requested by Grant Thornton are detailed in the Audit Findings Report. The Committee is asked to consider whether or not they agree to the amendments which have been agreed by officers. All changes (including presentational changes post initial publication) are set out in Appendix 8.

3.6.2 The Statement of Accounts 2018/19 is included in Appendix 3 and reflects the comments made by the Auditors up to Thursday 5 September 2019 and includes the MPF Accounts, as considered by Pensions Committee on 16 July 2019 (Appendix 6). At the time of circulating this report no further changes are expected to be required.

3.6.3 The Committee will be updated at the meeting of any further audit work, findings and alterations to the Statement of Accounts as the audit process continues until issue of the Audit Opinion.

### **3.7 AUDITOR'S REPORT AND OPINION**

3.7.1 The Audit Opinion will be issued following the Committee's consideration of the Audit Findings Report (Appendix 2), approval of any amendments to the Statement of Accounts (Appendix 3) and agreement of the Letter of Representation (Appendix 4).

3.7.2 The Auditor's Opinion will be incorporated within the final version of the Statement of Accounts for publication as soon as reasonably practicable after this meeting. An unqualified opinion on the Accounts for 2018/19 is anticipated. There are no anticipated changes to the financial position as reported to the Cabinet on 16 July 2019.

3.7.3 The Closure of Accounts is a key part of the Council's financial management processes and requires the input of substantial resources across the Council. This is necessary to deliver a smooth final Accounts process and to allow Grant Thornton to carry out its audit within agreed timescales.

3.7.4 Grant Thornton received the Statements and supporting working papers in accordance with the required deadlines. However competing pressures within the Finance and Investment Division remain, as capacity is limited. The absence of key team members due to sick leave, coupled with a number of vacancies within the team, contributed to the close down activity being a major challenge this year for an already under-resourced team. The planned restructure of the Finance team is however expected to address this issue going forward.

3.7.5 Grant Thornton have also experienced significant resourcing issues this year which have contributed to a delay in completing the audit. Recent statistics published by the Public Sector Audit Appointments Limited (PSAA) confirm that 40% of Local Authority audits had not concluded by the target date of 31 July.

3.7.6 The deadlines for the Statement of Accounts for 2018/19 have remained in line with 2017/18, when the timescales for completing the audit were significantly reduced. The S151 Officer must ordinarily certify and issue the Accounts by 31 May (brought forward from 30 June), with the Accounts approved and published following audit by 31 July (brought forward from 30 September). However, the unprecedented level of issues experienced this year - as outlined in Appendix 1 – resulted in significant late changes to the Accounts, for which the reduced timetable makes no allowance.

### **3.8 LETTER OF REPRESENTATION**

3.8.1 The Letter of Representation is presented for agreement by this Committee, with a draft letter included as Appendix 4 to this report.

### **3.9 ANNUAL GOVERNANCE STATEMENT (AGS)**

3.9.1 The Annual Governance Statement has, as in previous years been prepared in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government 2016 Framework and Guidance and is evidenced from the following sources:

- Review of the key governance processes in place;
- Collation and review of Chief Officers and Managers Assurance Statements; and
- Review of reports by external review agencies.

3.9.2 The Annual Governance Statement 2018/19 covers the period from 1 April 2018 to 31 March 2019 and therefore any significant governance issues identified are those which have occurred during this period.

3.9.3 Significant progress has been made by the Council this year in the management of remedial actions to address the Ofsted Improvement Notice issue, as included in the 2017/18 Annual Governance Statement. Following an inspection by Ofsted of Children's Services in 2016, an Improvement Notice was issued by the Secretary of State for Education on the 30th September 2016. In July 2019, Ofsted conducted a further inspection, the outcome of which has been positive, and the service is no longer judged to be inadequate. The inspectors have confirmed that the Council is now out of intervention and the next steps to achieve a status of 'good' have been outlined.

3.9.4 The Council's Audit and Risk Management Committee and Corporate Governance Group will continue to receive regular reports during 2019/20 on progress being made to address the governance issues included in this year's report. These include ongoing activity in relation to Ofsted, financial resilience, development and regeneration plans, Local Plan delivery and tree maintenance.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 The amendments to the Statement of Accounts 2018/19 have not changed the level of General Fund balance or reserves and provisions at 31 March 2019 which remain as reported to the Cabinet on 16 July 2019.

#### **5.0 LEGAL IMPLICATIONS**

5.1 It is a legal requirement to publish the Statement of Accounts. This would ordinarily be completed by 31 July each year, subject to completion of the audit. If the audit has not concluded by 31 July, as is the case this year, the Council is required to publish the reasons for this under Section 10.2a of the Regulations (Appendix 1) and to issue the audited Statement of Accounts as soon as reasonably practicable after the issue of the Audit Opinion.

#### **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

6.1 There are none arising directly from this report. Constraints within the current Finance team are however being addressed as part of the planned Finance Restructure.

#### **7.0 RELEVANT RISKS**

7.1 If any concerns identified by Grant Thornton are not addressed by the Council then there are risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts as well as impacting upon Value for Money and Financial Resilience of the Council.

#### **8.0 ENGAGEMENT/CONSULTATION**

8.1 There has been no specific consultation in respect of this report.

#### **9.0 EQUALITY IMPLICATIONS**

9.1 There are none arising directly from this report.

#### **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 There are none arising directly from this report.

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## **APPENDICES**

APPENDIX 1 - Accounts Publication Notice 2018/19

APPENDIX 2 - Grant Thornton Audit Findings Report (AFR) for Wirral Council

APPENDIX 3 – Wirral Council Statement of Accounts 2018/19

APPENDIX 4 - Wirral Council Letter of Representation 2018/19

APPENDIX 5 - Merseyside Pension Fund: Audit Findings Report (AFR) 2018/19

APPENDIX 6 - Merseyside Pension Fund: Pensions Committee Meeting Minutes

APPENDIX 7 - Merseyside Pension Fund: Letter of Representation 2018/19

APPENDIX 8 - Post publication changes to the Statement of Accounts 2018/19

## **BACKGROUND PAPERS**

### **SUBJECT HISTORY (last 3 years)**

Council Meeting	Date
Audit & Risk Management Committee	23 July 2018
- Wirral Council Statement of Accounts 2017/18	
- Grant Thornton Audit Findings Report - Wirral Council 2017/18	
- Merseyside Pension Fund Accounts 2017/18	
- Grant Thornton Audit Findings Report - Merseyside Pension Fund 2017/18	
Audit & Risk Management Committee	22 July 2019
- Notification of external audit delay & agreement to defer the Accounts to 23 September meeting	
Pension Committee	16 July 2019
- Merseyside Pension Fund Accounts 2018/19	
- Grant Thornton Audit Findings Report - Merseyside Pension Fund 2018/19	
Pension Committee	16 July 2018
- Merseyside Pension Fund Accounts 2017/18	
- Grant Thornton Audit Findings Report - Merseyside Pension Fund 2017/18	