

**MINUTE EXTRACT
AUDIT AND RISK MANAGEMENT COMMITTEE
23 SEPTEMBER 2019**

14 STATEMENT OF ACCOUNTS 2018/19 FOR WIRRAL COUNCIL AND MERSEYSIDE PENSION FUND

Mr Dan Kirwan, Assistant Director Finance and Investment introduced the report of the Director of Finance and Investment (S151) that informed that 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 included:

- 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'.

The report also provided further details changes included in the Accounts Publication Notice (Appendix 1 to the report). 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.

The Assistant Director Finance and Investment apprised Members that recent statistics published by the Public Sector Audit Appointments Limited (PSAA) confirmed that 40% of Local Authority audits had not concluded by the target date of 31 July. He added that the latest Accounts of Wirral Council had now been subject to audit and the External Auditors - Grant Thornton LLP - were in attendance to present their Audit Findings Report (AFR), together with any additional update, to the Committee.

In presenting the report the Assistant Director Finance and Investment informed that once agreed by the Audit and Risk Management Committee, Council would be in a position 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.

Members noted that the Statement of Accounts included the Merseyside Pension Fund (MPF) Accounts (Wirral Council is the Administering Authority for MPF). As the MPF received a separate Audit Findings Report (Appendix 5 to the report), this also had to be considered by the Pensions Committee (Appendices 6 & 7 to the report) and the Audit and Risk Management Committee as part of approving the Accounts. The Council's Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee.

The External Auditor presented a verbal report informing Members on the detail of specific content, namely:

- The Audit Findings
- The requirement to report
- Key points relating to their audit opinion i.e. a challenging audit relating to changes to accounting procedures.
- Amendments arising from the 'McCloud judgement', pension scheme transitional arrangements.

There also followed discussion on how these various factors will affect the Local Authority pension scheme, with a best estimate of £16m, material consideration.

Members were apprised that there had been discussion between the Council and the External Audit regarding the Auditors recommended adjustment to the accounts over a period of 10 years, which subject to Council approval, will produce a £2.6m benefit to Council each year.

The Chair identified that regarding items in the accounts, the Chief Executive salary had been quoted, but not the name (this had been corrected). Recommendation in accounts as a result. Members were also apprised that in respect of a recent Coroners Court Judgement, External Auditors had been kept informed and although these were to be treated as post balance sheet events it was the Auditors view that these were 'not material', it was suggested that a post balance sheet event statement be produced.

The Chair thanked the External Auditor and reiterated that it was this Committees role to manage compliance and provide assurance of process regarding all aspects of the accounts.

The External Auditor then provided Members with information on their opinion regarding 'Value for Money' arrangements and progress against past recommendations (improvements to Children's Services). Intention and their intention to offer an unqualified VFM conclusion.

The External Auditor also provided an update on the LOBO objection – stating that they had responded to objector and expected to offer a final decision in due course.

The External Auditor concluded his report, requesting Committee to note that audit was now complete, and asked that Members note the disclosure, conclusions, and improvements.

A short period of question and answers followed, with Members seeking clarification on a number of points, that included:

- Minimum Revenue Provision
- Debt reprofiling reserve
- Summary of amendments – arising from complexity of double entry accounting.

Councillor Phil Gilchrist requested that it the Committee also take note of specific reference to paragraph 3.6 of the report referring to the changes in the reporting that he believed did not fully highlight the changes in the reporting of the Minimum Revenue

Provision (MRP) and that this section of the report and appendix one should clearly refer to substantial sums involved.

Members concurred, and the Chair instructed that an update on progress relating to the MRP be provided to the Committee at a future meeting.

Resolved – It be recommended to Council that:

- 1) The Audit Findings Report presented by the External Auditor, and the actions taken regarding the amendments to the Statement of Accounts for the Council and Mersey Pension Fund Accounts, be agreed;**
- 2) 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, be approved; and**
- 3) The Chair and Director of Finance and Investment (S151) to sign and date the Letter of Representation.**