

Agenda Item No:

Report To: Audit Committee

Date of Meeting: 30 July 2019

Report Title: Statement of Accounts 2018/19 and the Appointed Auditor's Audit Findings

Report Author & Maria Hadfield

Job Title: Senior Accountant

Portfolio Holder Cllr. Bell

Portfolio Holder for: Finance and IT



Summary: The report presents the 2018/19 Statement of Accounts for approval.

The Auditor's Report is attached and they will be present at the meeting to introduce this and take questions.

The Appointed Auditor is proposing to issue an unqualified opinion on the accounts.

Once approved the accounts will be published.

Key Decision: NO

Significantly Affected Wards: N/A

Recommendations: **The Audit Committee resolves to:-**
I. Consider the Appointed Auditor's Audit Findings (Appendix A) Approve the audited 2018/19 Statement of Accounts (Appendix B) Approve that the Chairman of this committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approved by the Council Approve the Chief Financial Officer's Letter of Representation to the Appointed Auditor (Appendix C)

Policy Overview: The 2018/19 Statement of Accounts complies with the requirement of various Codes of Practice and the Accounts and Audit regulations

Financial Implications: The 2018/19 Statement of Accounts sets out the Council's financial position as at 31 March 2019 and movement in funds during the year

Legal Implications N/A

Equalities Impact Assessment N/A

**Other Material
Implications:**

N/A

**Exempt from
Publication:**

NO

Contact:

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Report Title: Statement of Accounts 2018/19 and the Appointed Auditor's Audit Findings

Introduction and Background

1. Our external auditors (Grant Thornton) have completed the audit of the Council's 2018/19 financial statements. The Accounts and Audit regulations require the accounts to be approved by this Committee and should be published by 31 July 2019.
2. Attached to this report is the Appointed Auditor's Audit Findings report setting out his work and conclusions in respect of the accounts (**See Appendix A**). The Appointed Auditor will be present at the meeting and will wish to introduce the report and take questions.
3. The 2018/19 Statement of Accounts has been completed in accordance with International Financial Reporting Standards (IFRS), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom and relevant Standards.
4. Over the few weeks, the Auditor has been working on site conducting the review of the financial statements, Officers would like to record their thanks to the work of the team on site. The process has been intensive and thorough and the Auditor has issued an unqualified opinion on the Statements of Account and an unqualified opinion for Value For Money.
5. The Audit Committee received a briefing on the un-audited accounts at its last meeting and the changes that have been made to the statement as a result of the audit process are outlined in the Auditors report.

Proposal/Current Position

6. The Committee is being asked to approve the Statement of Accounts, the Chairman of this committee can sign the Accounts and approve the letter of Representation.
7. The committee is also being asked to consider the Auditor's report including the five recommendations.

Basis of Preparation

8. The Statement of Accounts has been prepared on a 'Going Concern' basis, in accordance with recommended accounting practice. This means, for accounting purposes, that the organisation is expected to be in existence for the medium to long term and that the Council has no intention in the foreseeable future of curtailing, materially, the extent of its operations.

9. This basis has been adopted as there are no plans to reorganise local government and no other factors exist that will materially affect the council's operations in the foreseeable future.

The Amended 2018/19 Financial Statements

10. At the Audit Committee meeting of 18th June, committee members were briefed on two areas that the Council and the external auditor were in discussion on. These are as follows:
 - a. The "McCloud/Sargeant case" relating to how some pension members were being treated less favourably than others based on age. During the course of the audit the Supreme Court denied the Government's request for an appeal. This outcome is likely to effect the Council's pension liability therefore the Council made the decision to make an adjustment to the financial statements and associated disclosures. Following advice from our actuarial, Barnet Waddington, the financial accounts have been amended to include an increase to the pension liability of £1,330,000.
 - b. Following the adoption of IFRS9 the Council closed its accounts based on Electing Fair Value Financial Assets and accounting for them through Other Comprehensive Income (FVOCI). This initial decision was adopted following advice from Treasury Advisors and the Officers' interpretation of the Reporting Standard. The Auditor did not agree with the Council's interpretation of IFRS9 and therefore the Officers, in consultation with Members, have decided to amend the disclosers for Financial Instruments.
11. The auditor's report highlights the above amendments.
12. The team will undergo a post project review and seek to identify any learning opportunities from this process to further improve our closing processes.
13. The Committee is asked to approve the statement of accounts contained at **Appendix B**.
14. As part of the audit process the Council is being asked to authorise a letter of representation from the Council to the External Auditor. This is signed by the chair of the Committee and the Councils Chief Finance Officer. The letter is a part of the governance process where declarations are given in regard to the fulfilment of statutory obligations, compliance with regulations, etc. The letter is contained in **Appendix C** of this report.

Audit Action Plan

15. The Auditors have prepared an action plan is to follow

Next Steps in Process

16. Once the Committee approves the statement of accounts the auditor can formally issue their opinion and the accounts can be published.

Conclusion

17. The Council has worked with its External Auditors to produce and have audited the accounts by the deadline of 31 July.
18. The Audit of the 2018/19 Statement of Accounts is complete and there have been a few changes to the accounts.
19. The auditor is issuing an unqualified opinion to the statement of accounts and an unqualified 'Value For Money' conclusion.

Portfolio Holder's Views

20. To be given at the meeting

Contact and Email

Maria Hadfield – maria.hadfield@ashford.gov.uk

Appendix A – External Auditors Report

See Separate file

Appendix B – Statement of Accounts

See Separate File

Appendix C – Letter of Representation

See next Page

Director of Finance and Economy

Ask for: Ben Lockwood



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Date: 16 July 2019

Dear Sirs

Ashford Borough Council Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Ashford Borough Council and its subsidiary undertaking, A Better Choice for Property Limited, for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.

- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the group and parent Council financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group and parent Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiii We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the

group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xv We have communicated to you all deficiencies in internal control of which management is aware.

- xvi All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.

- xvii We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.

- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the group and parent Council financial statements.

- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.

- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxi We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.

- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- i The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 16 July 2019.

Yours faithfully

Name.....Cllr Klause.....

Position.....Chair Audit Committee.

Date.....

Name.....Mr B C Lockwood...

Position...Director Finance and Economy.

Date.....