

## Bath & North East Somerset Council

MEETING:	<b>Corporate Audit Committee</b>
MEETING DATE:	<b>30<sup>th</sup> July 2019</b>
TITLE:	<b>Governance Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2018/19</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> <b>Appendix 1</b> – Audit Findings Report for Bath & North East Somerset Council <b>Appendix 2</b> – Audit Findings Report for Avon Pension Fund <b>Appendix 3</b> – Bath & North East Somerset Council Audited Statement of Accounts 2018/19 <b>Appendix 4</b> – Bath & North East Somerset Council Letter of Representation 2018/19 <b>Appendix 5</b> – Avon Pension Fund Letter of Representation 2018/19	

### 1 THE ISSUE

- 1.1 The Audit Findings Report summarises the results of Grant Thornton’s audit of the 2018/19 accounts. It includes the issues arising from the audit of the financial statements, and those issues which they are formally required to report to you under the Audit Commission’s Code of Practice and International Standard of Auditing (UK & Ireland) – ‘Communication of audit matters with those charged with governance’.
- 1.2 The Annual Governance Statement (AGS) is required by the Accounts and Audit Regulations 2015 to be published with the Council’s Statement of Accounts and to be formally approved and signed by the Leader of the Council and the Chief Executive. The AGS for 2018/19 has been completed in accordance with the framework previously agreed by the Corporate Audit Committee. There is one significant issue identified this year and the Statement continues to reflect the current position at July 2019.

### 2 RECOMMENDATION

The Corporate Audit Committee is asked to agree that:

- 2.1 the issues contained within the Audit Findings Reports for the Council and Avon Pension Fund are noted
- 2.2 the audited Statement of Accounts, including the Letter of Representation for Bath & North East Somerset Council for 2018/19, are approved.

### **3 THE REPORT**

#### **Council's Accounts**

- 3.1 The Narrative Report to the Statement of Accounts gives an overview of the financial position as set out in the accounts in the detailed statements and notes.
- 3.2 The work carried out by Grant Thornton as part of the audit of the financial statements has resulted in a number of minor amendments to the Disclosure Notes accompanying the Financial Statements, none of which adjusted the figures in the main financial statements.
- 3.3 In addition, following a recent Court of Appeal ruling on age discrimination in relation to judges and fire fighter pension schemes (McCloud), Local Authorities were required to assess the materiality on the value of the Pension Liability held in their balance sheets. Bath & North East Somerset Council requested updated figures from the Actuary, which showed that there was an additional £10.5m of liabilities. The Council's final Statement of Accounts and supporting notes have been updated since the draft version that was issued in May 2019 to take these revised figures into account.
- 3.4 The 2018/19 draft statement of accounts was produced and certified for issue by 31<sup>st</sup> May 2019, which was within two months of the end of the year. For a second year, this achievement met the Accounts & Audit Regulations 2015 publication requirement, which considerably reduced the timescale from the three months given in previous years.
- 3.5 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Council's 2018/19 Financial Statements. In respect of the work undertaken on the Value for Money assessment, Grant Thornton concluded that: "the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources".

#### **Avon Pension Fund's Accounts**

- 3.6 There have been some minor changes to the Avon Pension Fund accounts that were authorised for draft issue. This includes some prior period adjustments to 2017/18 comparative figures, along with some presentational changes and the expansion of some Accounting Policies.
- 3.7 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2018/19 Financial Statements.

#### **Annual Governance Statement**

- 3.8 In accordance with the framework agreed by the Corporate Audit Committee, Audit West have led on the collation and co-ordination of information relating to the preparation of the draft Statement and gathering of evidence to support any statement made within the Statement. The Council's final Annual Governance Statement has been published within the Statement of Accounts and is a declaration of assurance, its aim is to report the extent to which the Council has in place reliable controls that will safeguard its resources and ensure that these are being used to meet priorities and service objectives agreed by Members.

**3.9** No new significant governance failures or control issues have been identified during this year which satisfy the recommended criteria. However it is felt that the scale of the financial challenge which has faced the local government sector over recent years, and will continue to do so for the immediate future, merited specific inclusion as an issue. This is due to the impact that this challenge has had over all Council activities and the severe pressure on Council budgets, especially in Children's Services and Adult Social Care that continues to be felt into this current year. The Statement sets out in more detail the high level actions that the Council is taking to continue to tackle this significant issue.

#### **4 STATUTORY CONSIDERATIONS**

- 4.1 The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.
- 4.2 The Accounts and Audit Regulations 2015 require that the Statement of Accounts shall be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.
- 4.3 The preparation and publication of an Annual Governance Statement is in accordance with the "Delivering Good Governance in Local Government" framework introduced by CIPFA SOLACE during 2007, and updated in 2016. The Statement explains how Bath & North East Somerset Council has complied with the Local Code of Corporate Governance which arises from the CIPFA framework and also meets the requirements of the Accounts and Audit (England) Regulations 2015, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (3) in respect of the preparation and publication of an Annual Governance Statement.

These regulations require authorities to "conduct a review at least once a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices". Regulation 4 requires the findings of the review of the system of internal control to be considered by a Committee of the relevant body, or by its members of the body meeting as a whole. At Bath & North East Somerset Council, this function is the responsibility of the Corporate Audit Committee.

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 The Council's Statement of Accounts sets out the Income and Expenditure for the 2018/19 financial year, together with the Balance Sheet and all related supporting information.

#### **6 RISK MANAGEMENT**

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. The Council's on-going financial position is an identified risk that is regularly monitored.

## 7 CLIMATE CHANGE

7.1 The Council's Statement of Accounts is a statutory requirement. This is an information only report about the Council's financial performance for 2018/19, it therefore does not include any decisions that have a direct impact on Climate Change.

## 8 OTHER OPTIONS CONSIDERED

8.1 None

## 9 CONSULTATION

9.1 Consultation has been carried out with the Chief Finance Officer.

9.2 Consultation was carried out at meetings and via e-mail.

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<b>Background papers</b>	<i>None</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	