

Report title: 2017/18 Statement of Accounts	
Report to Audit, Governance and Standards Committee	
Report author: Margaret Lee – Executive Director for Corporate and Customer Services	
Date of meeting: 30 July 2018	For: Approval
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Divisions affected: All Essex	

1. Purpose of report

1.1 The purpose of this report is to:

- i. Explain the role of the Audit, Governance and Standards Committee in relation to approval of the 2017/18 Statement of Accounts.
- ii. Consider the matters raised in the External Auditor's 'Audit Results Reports' (presented elsewhere on the Agenda) in relation to the audit of the Council's accounts for 2017/18 and those for the Essex Pension Fund.
- iii. Present an updated draft of the Council's 2017/18 Statement of Accounts, which has been amended to address matters arising during the 'final accounts audit' carried out by Ernst and Young.
- iv. Present an updated draft of the Council's 2017/18 Annual Governance Statement.

2. Recommendations

2.1 It is recommended that the Committee:

- i. Notes the matters raised in the External Auditor's 'Audit Results Reports' (*presented elsewhere on the Agenda*);
- ii. Approves the updated draft of the 2017/18 Annual Governance Statement, which is included in the Statement of Accounts document (*pages 203 to 223 of **Appendix A***); and
- iii. Approves the updated draft of the 2017/18 Statement of Accounts (*attached as **Appendix A** to this report*);
- iv. Notes the representations that the Executive Director for Corporate and Customer Services will make on behalf of the Council and the Essex Pension Fund (*as set out within the Letters of Representation appended to the Audit Results Reports, which are presented elsewhere on the Agenda*).

3. Background and proposals

Background

- 3.1 In accordance with the requirements of the **Accounts and Audit Regulations 2015**, the draft 2017/18 Statement of Accounts was certified by the Executive Director for Corporate and Customer Services on **31st May 2018**.
- 3.2 The Accounts have subsequently been subject to external audit review, the outcome of which is summarised in the Audit Results Reports for Essex County Council and for the Essex Pension Fund, which are presented elsewhere on the agenda. The Accounts have also been made available (via the Council's website) for public inspection.
- 3.3 The Accounts must now be formally approved by this Committee in order for the Council to meet the statutory deadline of 31st July 2018 for publication of its Statement of Accounts for 2017/18.

Responsibilities and timeframes relating to the Statement of Accounts

- 3.4 The respective responsibilities, and timeframe, for the approval and publication of the 2017/18 Statement of Accounts are as follows:

Deadline	Actions
31st May 2018	<ul style="list-style-type: none">The Executive Director for Corporate and Customer Services, as the Council's Responsible Financial Officer, must sign and date the Statement of Accounts and release the draft Accounts for external audit and public inspection. <p>This requirement was met.</p>
31st July 2018	<ul style="list-style-type: none">The Statement of Accounts must be re-certified by the Executive Director for Corporate and Customer Services and, following approval by the Audit, Governance and Standards Committee, by the Chairman of the Committee.The Executive Director for Corporate and Customer Services must also sign letters of representation for the Council and for the Essex Pension Fund, addressed to the external auditor, confirming her opinion that the financial statements present fairly the financial position of the Council and the Essex Pension Fund, and of their income and expenditure for the year ended 31 March 2018.The External Auditor will certify her opinion on the accounts upon conclusion of the audit.The Statement of Accounts will be published on the Council's website.

Financial statements

- 3.5 The Statement of Accounts was presented to the Committee, in draft, on **4th June 2018**. A limited number of amendments have been made to the Accounts since then, which are summarised below.

3.6 **Pension Scheme liabilities and Pensions Reserve**

The Council is required to reflect its share of the liabilities of the Local Government Pension Scheme in its Balance Sheet on an actuarial basis, and its share of the assets of the Scheme at their fair value. It does this on the basis of information provided by the Pensions Actuary. In order to meet the earlier deadline for production of the 2017/18 Accounts, it was necessary to apply some estimation of the Pension Scheme asset values ahead of the year end. Actual asset values differed from these estimates, resulting in the need to reduce both the Pension Scheme Liabilities, and the Pensions Reserve, by **£41.996m**.

3.8 **Disclosure note changes**

The Council has made the following amendments to disclosure notes:

- **Operating leases (Council as Lessor) (Note 18.4)** – to restate the future minimum lease payments receivable under non-cancellable leases in future years (the lease payments receivable were previously overstated by **£42.284m**).
- **Other minor amendments**
Minor changes were made to a number of other disclosure notes, including:
 - **Provisions** (Note 26) - to correct the analysis of the movement between the opening and closing provision for non-domestic rating appeals.
 - **Senior Officers' remuneration** (Note 37) - to reclassify the amounts payable to one officer between the different categories of remuneration; and
 - **Related Parties** (Note 38) - to add an additional note related to a member's interest in the Rural Communities Council for Essex.

3.9 **Group Account changes**

The Group Accounts have been updated as a consequence of changes to the Council's own accounts.

- 3.10 The 2017/18 Statement of Accounts, which is attached to this report at **Appendix A**, incorporates all of these amendments.

- 3.11 At the time of writing this report, the external audit work was largely complete, but with some matters outstanding both in relation to the Council's accounts and those of the Essex Pension Fund (as detailed within the Audit Results Reports presented elsewhere on the agenda). Should it be necessary to

make further amendments to the Statement of Accounts as the audit work is concluded, a verbal update will be provided at the Audit, Governance and Standards Committee meeting.

Audit Results Report

- 3.12 The Audit Results Reports for the Council and the Essex Pension Fund, which are presented elsewhere on the agenda, summarise the findings from the 2017/18 audit which, at the timing of writing this report, was substantially complete.
- 3.13 The reports include messages arising from the audit of the Council's financial statements and those of the Essex Pension Fund, and the results of the work undertaken to assess the Council's arrangements to secure value for money in our use of resources.
- 3.14 The reports states that the External Auditor expects to:
- Issue an **unqualified** opinion on the financial statements; and
 - Issue an '**except for**' conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in our use of resources. This means that the External Auditor expects to conclude that the Council has put in place proper arrangements to secure value for money, except for securing financial resilience. This is due to plans not being in place at 31st March 2018 to close the budget gap for 2019/20 and 2020/21. However, the Committee is asked to note that (on page 24 of the Audit Results Report) the external auditor has commented that proposals are now in place for 2019/20 and work has been commissioned for 2020/21.
- 3.15 The Committee must consider the matters raised Audit Results Reports before approving the 2017/18 Statement of Accounts.

Representation letters

- 3.16 Before the audit opinion for 2017/18 can be issued, the External Auditor requires the Executive Director for Corporate and Customer Services to provide management representation letters for the Council, and for the Essex Pension Fund. These letters are attached to the Audit Results Reports, which are presented elsewhere on the Agenda.
- 3.17 The Committee is asked to note the representations that the Executive Director for Corporate and Customer Services will be making on behalf of the Council and the Essex Pension Fund.

Annual Governance Statement

- 3.18 The Statement of Accounts document also includes the Annual Governance Statement (pages 203 to 223 of **Appendix A**). This is a statutory document which must be approved before the Committee approves the Council's statement of Accounts. A draft of the statement was considered by the Committee in June. The version attached reflects the comments made by the

Committee in June. It has also been updated to reflect the fact that the Corporate Peer Challenge, which was arranged for June, had to be deferred for reasons outside the Council's control. The Committee are asked to approve the Annual Governance Statement.

4. Policy context and Outcomes Framework

- 4.1 This report presents the Council's 2017/18 Statement of Accounts for approval, which summarise the financial performance and financial position for the Council for the 2017/18 financial year. As such, it provides a financial representation of activities during 2017/18 against the Organisation Strategy.

5. Financial Implications

- 5.1 All actions proposed within this report are considered by the Section 151 Officer as appropriate for approval of the Statement of Accounts.

6. Legal Implications

- 6.1 There are no legal implications associated with this report, beyond the fact that the Council has a statutory duty to publish its Statement of Accounts for the year just ended by **31st July 2018**.

7. Staffing and other resource implications

- 7.1 There are no staffing or other resource implications associated with this report.

8. Equality and Diversity implications

- 8.1 There are no equality and diversity or other resource implications associated with this report.

9. List of appendices

- 9.1 **Appendix A:** 2017/18 Statement of Accounts

10. List of Background Papers

- 10.1 Not applicable for this report.