

Audit, Governance and Standards Committee

24 July 2019

2018/19 Statement of Accounts and Audit

Director of Corporate and Commercial

Purpose

To review the outcome of the Audit of Accounts and Pension Fund Accounts for 2018/19 and approve the audited accounts for publication

Recommendations.

To **Resolve** that -

1. The comments and recommendations of the External Auditors as set out in Annex 2 (Main Accounts) and Annex 5 (Pension Fund Accounts) are noted
2. The findings and recommendations of the Value for Money conclusion as set out in Annex 2 are noted
3. The letters of representation issued on behalf of the Council as set out in Annex 3 (Main Accounts) and Annex 4 (Pension Fund Accounts) are approved
4. The audited accounts (including Pension Fund Accounts) as set out in Annex 1 are approved subject to any further amendments required as a result of finalising the audit work
5. The Director of Corporate and Commercial in consultation with the Chair of Audit, Governance and Standards Committee be authorised to make amendments to the accounts at Annex 1 if required through the completion of the external audit process
6. The action plan to address audit recommendations is noted

Key Points

- A. The Statement of Accounts was authorised for issue by the Director of Corporate and Commercial on 31 May 2019 in line with the statutory deadline. At this time the unaudited accounts were published on the Council's website and submitted for audit.
- B. The audit of the Council's Statement of Accounts and Pension Fund Accounts is well underway and the Council's auditors, Grant Thornton will provide an update on their progress to date to the committee. The audit findings reports are still being finalised and going through the quality assurance process within Grant Thornton and will therefore be published as late material for the committee.

- C. The Committee is required to formally approve the audited accounts in order that the audit opinion can be confirmed and the accounts can be published on the Council's website. The statutory deadline for publication is 31 July. If, for any reason this deadline is not met, a notice stating the reason for delay must be published instead.
- D. The Annual Governance Statement (AGS) and a Narrative Statement are required to be published alongside the Statement of Accounts. The AGS is included elsewhere on this agenda for approval. The narrative statement is included as part of the Statement of Accounts pack at **Annex 1**.
- E. The Committee is also required to approve the Council's Letters of Representation which cover the Statement of Accounts and Pension Fund Accounts.
- F. Finally, the committee is asked to note the findings and recommendations of the auditor's Value for Money conclusion set out in **Annex 2 (to follow)**.

Context

1. This was the second year in which earlier closing deadlines applied, with the Council required to submit its accounts to the auditors by 31 May. In accordance with the requirements set out in the Accounts and Audit Regulations 2015, member approval and publication of the audited Statement of Accounts and Pension Fund Accounts 2018/19 are required to take place on or before 31 July 2019, so that the planned audit opinion can be issued.
2. The Council successfully met the first deadline and submitted the accounts to the auditors on 31 May 2019. The external audit of both sets of accounts is well underway and the Auditor's report, under the International Standard on Auditing (ISA 260), will be published as late material as they are still being finalised. The audited Statement of Accounts including adjustments agreed with the auditors so far, are attached in Annex 1.
3. After approval of both sets of accounts and letters of representation by the Committee and completion of the final audit testing and review, the auditors will be able to issue their opinion which will be included in the Statement of Accounts and published online.
4. The audit opinion and audited accounts are due to be published by 31 July 2019 to meet statutory requirements under the Audit and Accountability legislation. The legislation provides for the event that an audit opinion cannot be issued by this date and requires that in those circumstances a notice is published setting out the reasons for the delay.
5. In June 2019, Grant Thornton identified an ethical matter within their firm relating to Kingston Council. The situation has since been resolved, however, the timing of the identification of this situation caused work on the accounts audit to be paused for two weeks during the main audit period. This has inevitably led to a delay and it is therefore likely that the 31 July deadline will not be met and the audit opinion is expected to be issued in August 2019. Council officers are supporting Grant Thornton to ensure remaining audit queries are answered as quickly as possible and the delay

is minimised. Timing of the issue is such that we are assured the issue did not exist at the point previous opinions were issued by Grant Thornton.

6. The formal Certificate of Completion of the audit is subject to review, based on completion of the audit of the Whole of Government Accounts (statutory deadline now 31 August 2019) and review of an objection received on 12 July 2019 .

Statement of Accounts 2018/19 - overview

7. The Statement of Accounts have been prepared in accordance with guidance set out in the CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which in turn is underpinned by International Financial Reporting Standards.
8. Due to the nature of the Local Authority accounting requirements, the Statement of Accounts is a long and technical document containing many mandated accounting disclosures. The Narrative Statement published alongside the Statement of Accounts indicates the Council's performance against its budget for 2018/19 which is a key indicator of financial control. Detail on this position was reported to the Finance and Contracts Committee on 27 June 2019.
9. For 2018/19, the only significant changes to accounting policies arose from the implementation of the accounting standard IFRS 9 which was included in the CIPFA Code for this year. The main impact of this has been different classifications of some investments and borrowings and enhanced disclosure of these items (shown as Note 17 to the Financial Statements).
10. The Council is required to produce Group Accounts, recognising its ownership share of Achieving for Children (AfC), a jointly owned Community Interest Company with the London Borough of Richmond and The Royal Borough of Windsor and Maidenhead. This company has been recognised as a Joint Venture in the Council's Group Account statements.

Audit Findings

11. Due to ongoing work on the accounts and Grant Thornton's internal quality assurance processes, the audit findings reports are not available at the time of publication of this agenda and will be published as soon as they are available along with the Council's management response.

Consultations

12. None

Timescale

13. The Council is required to approve and publish its audited Statement of Accounts, accompanied by the narrative report and annual governance statement, by 31 July 2019.

Resource Implications

14. None arising from this report

Legal Implications

15. The Statement of Accounts is required to be approved by the Audit, Governance and Standards Committee and signed by the Director, Corporate and Commercial as s151 officer.

Risk Assessment

16. None required for this report

Equalities Impact Assessment

17. None required as no change to existing policy

Environmental Implications

18. None arising from this report

Background papers - held by author

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- None other than those referred to in this report

List of Annexes

Annex 1 - Statement of Accounts 2018/19

Annex 2 - Audit Findings Report **(to follow)**

Annex 3 - Group Letter of Representation

Annex 4 - Pension Fund Letter of Representation

Annex 5 - Pension Fund Audit Findings Report **(to follow)**