



CORPORATE GOVERNANCE COMMITTEE – 26 JULY 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EXTERNAL AUDIT OF THE 2018/19 STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND PENSION FUND ACCOUNTS

Purpose of Report

1. The purpose of this report is to set out the key findings from the external audit of the 2018/19 financial statements and to seek the Committee's approval of the draft letters of representation.

Background

2. Grant Thornton UK LLP, the County Council's external auditor, is required to communicate the results of the 2018/19 audit of the Council's financial statements to those charged with governance prior to certifying the financial statements. The draft 2018/19 Statement of Accounts, Annual Governance Statement (AGS) and Pension Fund Accounts can be viewed on the Council's website via the following link:-

<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2019/5/31/draft-statement-of-accounts%20-%2031-may-2019.pdf>

3. A copy of the auditor's report is attached as Appendix A to this report.
4. A copy of the letters of representation for the County Council and Pension Fund are attached as Appendix B and C to this report for member consideration.
5. John Gregory, Key Audit Partner from Grant Thornton UK LLP, responsible for the audit will attend the Committee meeting to communicate any significant findings and answer any questions.
6. The audit of the 2018/19 accounts is the first year of Grant Thornton UK LLP as the external auditor of the County Council.

Key Findings of the External Auditor

7. The auditor has reviewed the financial statements and has concluded that there are no material accounting issues to report. The external auditor anticipates issuing an unqualified opinion.
8. The key findings were:

- The Council's accounts were amended to include the impact of the McCloud judicial judgement, regarding age discrimination arising from public sector pension scheme transition arrangements. This follows the Supreme Court decision in June 2019 to refuse the Government's request to appeal the decision. The estimated impact of the ruling is £13.1m and this has been updated in the accounts.
 - Property, Plant and Equipment note, amendments required between categories within the note. Mainly affecting the split between additions and assets under construction. The overall totals were unaffected.
 - Pension Fund Accounts, additional disclosures required to meet the latest CIPFA recommended code of practice.
9. The original planned audit fees totalled £80,532. As part of the audit the auditor has had to carry out additional procedures which were not included in the original fee; these have been discussed and agreed with the Director of Corporate Resources and total £10,500:
- a. McCloud judgement, £3,000 - additional work required to review the impact.
 - b. Pension, IAS19 letters, £6,000 – assurance provided to other Employers auditors. The Fund will recover these fees from the Employers concerned.
 - c. Property, Plant and Equipment £1,500 – additional assurance required by the Financial Reporting Council.

Recommendation

10. The Committee is asked to consider the issues raised in the auditor's report and approve the draft letters of representation.

Equal Opportunities Implications

11. None.

Circulation Under the Local Issues Alert Procedure

12. None.

Background Papers

None.

Officers to Contact

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Appendices

Appendix A - External Auditors Report
Appendix B - Letter of Representation (County Council)
Appendix C - Letter of Representation (Pension Fund)