

AUDIT & GOVERNANCE COMMITTEE – 25 July 2018

STATEMENT OF ACCOUNTS 2017/18

Report by the Director of Finance

Introduction

1. The Accounts and Audit Regulations 2015 require the Director of Finance to publish the unaudited Statement of Accounts 2017/18 no later than 31 May 2018 and certify that they give a true and fair view of the County Council's financial position and income and expenditure for the year. This was achieved on 31 May 2018 and the unaudited accounts were published on the Council's website for public inspection. The Regulations require the Statement of Accounts to be considered by a committee of the Council by 31 July 2018 and, following that consideration, to be approved by resolution of that committee. This report presents the accounts to the Audit & Governance Committee for consideration and approval, with the findings of the audit available in Ernst & Young LLP's audit results reports.

Statement of Accounts

2. The Statement of Accounts 2017/18 is attached at Annex 1. This version includes changes made to the unaudited accounts as agreed with the auditors as set out below.
3. The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 'Code'). An introduction to the statement of accounts is included in the Narrative Report by the Director of Finance, together with commentary on the Council's financial position and economy, efficiency and effectiveness in its use of resources over the financial year.
4. The statement of accounts contains the Expenditure and Funding Analysis note, followed by the four primary financial statements: the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement, together with accompanying notes. The statement of accounts also includes the Firefighters Pension Fund Accounts and the Oxfordshire Local Government Pension Fund Accounts.
5. The Annual Governance Statement is included in the statement of accounts document for completeness, as it is required to be published alongside the accounts and narrative report. The Audit & Governance Committee approved the 2017/18 Annual Governance Statement at its meeting on 25 April 2018, there are no issues being highlighted by the auditors that require any additional review of the Statement.
6. For 2017/18, the format of the narrative statement has been improved to reflect the 'key principles or narrative reporting' that have been introduced in the 2017/18 code. As set out in the Guidance Notes for Practitioners to the 2017/18 code, the narrative report should be a key document for communicating to stakeholders the authority's purpose, how it has performed in accordance with its overall strategy and against KPIs over the year, and how it has allocated its resources in line with intended outcomes.
7. There have not been any further significant changes to the preparation of the Statement of Accounts for 2017/18.
8. The 2016/17 Comprehensive Income and Expenditure Statement has been restated to present the service analysis on the current directorate basis, however there is no change to the total Cost of Services reported. Prior year figures are also restated in the Expenditure and Funding Analysis.

Summary Accounts

9. The Summary Accounts 2017/18 (Annex 2) provide a simplified presentation of the financial position of the Council and its income and expenditure for the year. These have been made available to members of the public alongside the unaudited Statement of Accounts on the Council's website.

Changes to the unaudited accounts

10. Section 04 – Audit Differences of Ernst & Young LLP's audit results report sets out that there has been one correction to the unaudited accounts arising from the audit which is above the reporting threshold of £14.5m. This relates to Note 22 – Movement in value of Property, Plant and Equipment. The adjustment is required to more accurately reflect the derecognition of a new build academy by first recognising the completed asset as an 'Addition' (transferred from Assets Under Construction) and then derecognising the asset under 'Derecognition – Other' as the asset is transferred to the academy. Although permitted by the code, this was not clear in the original presentation as the Assets Under Construction value was shown net of the Revenue Expenditure allowed to be Funded by Capital Under Statute (REFCUS), recognising the expenditure without creating an addition or disposal. This has a net nil impact on the accounts.
11. There have been some additional small corrections that fall below the reporting threshold which have been identified through the audit work.

Unadjusted differences

12. An unadjusted difference is reported when auditors identify a misstatement that has not been adjusted by management which falls above the misstatement materiality of £0.96m but below the overall materiality assessment of £19.3m.
13. Section 04 – Audit Differences of Ernst & Young LLP's audit results report also includes a reported unadjusted misstatement relating to the Council's share of the Pension Funds actual plan assets at year end. The auditors have identified a difference between the estimated closing assets allocated to the Council used by the Council's actuary of £1,175m and the actual investment return for 2017/18 of £1,183m, a difference of £7.7m. This figure forms part of the IAS19 adjustments which require the Council to account for the scheme liabilities and the value of benefits that scheme members are entitled to rather than the cost of contributions during the year. These adjustments do not have an impact on general balances at year end or the council tax payer.
14. As management has decided not to correct the misstatement the Letter of Representations must include the rationale for this and be approved by the Audit and Governance Committee.

Letters of Representations

15. Auditing standards require Ernst & Young LLP to obtain representations from management on certain matters material to their audit opinion. Separate letters of representations are required for the Oxfordshire County Council accounts and the Local Government Pension Fund accounts. The Audit & Governance Committee is required to consider and approve the letters of representations before they are signed by the Director of Finance and the Chairman of the Committee.
16. Audit & Governance Committee should approve the rationale for not correcting the misstatement relating to the Council's share of the Pension Fund's net assets as described above in paragraph 14.

Objections to the 2015/16 and 2016/17 accounts

17. An objection concerning Lender's Option Borrower's Option loans was made to the 2015/16 Statement of Accounts. Ernst & Young LLP have prepared a statement of reasons supporting their determination of the objection and this is currently subject to consultation ahead of being issued.
18. An objection to the 2016/17 Pension Fund accounts concerning the management of risk posed by the Fund's investment in fossil fuels has also not been concluded.
19. No objections have been raised to the 2017/18 accounts.
20. The auditors have confirmed that even if these objections were resolved in the objector's favour they would not affect the statement of accounts. However, until the objections have been finalised, the auditors are not able to conclude the 2015/16 and 2016/17 audits. This also means that they are not able to issue the audit completion certificate at the same time as the audit opinion for 2017/18 and this will remain outstanding until the objections relating to prior years are resolved.

Conclusion

21. The audit is substantially complete and it is anticipated that the auditors will issue an unqualified opinion on the 2017/18 Statement of Accounts. Ernst & Young LLP's audit results reports set out that there are no amounts that have been identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2018.

RECOMMENDATION

22. **The Committee is RECOMMENDED to:**
 - (a) **Consider and approve the Statement of Accounts 2017/18 at Annex 1;**
 - (b) **Note the Summary Accounts 2017/18 at Annex 2;**
 - (c) **Agree that no changes are required to the Annual Governance Statement, previously approved by the Committee on 25 April 2018;**
 - (d) **Consider and approve the Letter of Representations 2017/18 for the Oxfordshire County Council accounts at Annex 3;**
 - (e) **Consider and approve the Letter of Representations 2017/18 for the Oxfordshire Pension Fund accounts at Annex 4;**
 - (f) **Agree that the Director of Finance, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), can make any further changes to the Statement of Accounts 2017/18 and / or letters of representation that may arise during completion of the audit.**

LORNA BAXTER

Director of Finance

Background Papers: Nil.

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