

18 July 2019		ITEM: 8
Standards & Audit Committee		
Audit Results Report for the Year Ended 31 March 2019		
Wards and communities affected: All	Key Decision: Key	
Report of: Sean Clark, Director of Finance and IT		
Accountable Assistant Director: Jonathan Wilson, Assistant Director—Finance		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

This report details the findings of the external auditors from their audit of the 2018/19 financial statements to date.

External audit work is ongoing and there are no identified material issues to date. Work on the value for money conclusion is also ongoing. External audit will table their detailed report at the meeting and update Members on their proposed opinions for the audit of the financial statements and on the value for money conclusion.

1. Recommendation(s)

1.1 That the Standards and Audit Committee consider the comments of the external auditors as set out in the attached report and note their findings.

2. Introduction and Background

2.1 The external audit process has progressed substantially but there remains work outstanding. The financial statements further developed in 2018/19 to include the updated requirements of the CIPFA Code of Practice on Local Authority Accounting (The Code) and incorporate the group financial statements which include the financial results of both Thurrock Regeneration Ltd and Thurrock Homes Ltd.

2.2 This report sets out the External Auditor's findings to date and officers are pleased to note progress has been smooth and it is expected the audit will conclude in line with statutory deadlines.

There are no identified material issues to date. There has been an update to the valuation of the Local Government pension scheme which is set out below. There are also likely to be some classification updates required to the notes to the accounts. Any further changes will be shared at the meeting.

3. Issues, Options and Analysis of Options

- 3.1 The External Audit Report included in Appendix 1 sets out the detailed findings. There have been no issues identified to date which impact on the General Fund reserve balance of £11m.
- 3.2 The detailed audit report will be presented by BDO.
- 3.3 There is likely to be one unadjusted item which is significant but not material (although the final figure is to be confirmed) to the Council's financial statements. This relates to an updated valuation of the liabilities in the Essex Pension Fund (EPF). This change was notified by EPF following an update to the original valuation notified to the Council. In the IAS19 report previously issued for the Employer as at 31 March 2019 no allowance was made for the recent McCloud judgement, which relates to age discrimination within the new Judicial Pension Scheme.
- 3.4 This was due to the uncertainty of how this judgement may affect Local Government Pension Scheme members' past or future service benefits. The initial decision was subject to an appeal by central government. In June 2019 the appeal was denied and hence it is now clear there will be an impact. Guidance issued now requires local authorities to consider the materiality of the impact and consider this on a range of options including a 'worst case' basis. The initial estimated impact on liabilities is £4.718m and on the current service cost is £0.535m. The Council is currently intending to disclose this in the financial statements but not amend as the amount is not material and this remains an estimate. This may be reassessed once a final figure has been received from EPF.
- 3.5 The audit remains in progress and further items will be considered as appropriate.
- 3.6 The audit has progressed smoothly to date and the finance team has worked effectively with external audit to enable completion of the work within agreed timescales and the Council has met the earlier closedown deadlines again for 2018/19.
- 3.7 The increase in usable reserves generated through the Council's commercial strategy continues to support the work of Members and Officers to ensure the Council remains financially sustainable in the medium term. This has been discussed as part of the ongoing work on the value for money conclusion.

4. Reasons for Recommendation

- 4.1 For the committee to note the findings of the external auditors and have mind to these findings when considering the Annual Governance Statement and Financial Statements later on this agenda.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 All services and senior management have been consulted in the compilation of this document.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The level of resources and how they are allocated will affect the amounts available towards the Council's overall aims and objectives.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

The statements are largely governed by the Code. Apart from reporting the Council's financial position as at 31 March 2019, there are no further financial implications arising directly from this report.

7.2 Legal

Implications verified by: **David Lawson**
Assistant Director of Law and Governance

There are no specific implications from this report.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**
**Community Development & Equalities
Manager**

There are no specific implications from this report.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

There are no specific implications from this report.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- There are various working papers within Corporate Finance.

9. Appendices to the report

- Appendix 1 - Audit Results Report – to be tabled at committee

Report Author:

Sean Clark

Director of Finance and IT