

Statement of Accounts 2018/19

1. Introduction

- 1.1 The draft Statement of Accounts 2018/19 were approved by the Service Director for Finance on 31 May 2019. The formal audit commenced on 1st July 2019. The External Auditor's Audit Findings Report (ISA 260 Report), including the outcome on the annual accounts audit and an action plan addressing key audit issues, was presented to the Audit Committee on the 5th December 2019. The Accounts and Audit Regulations require the Statement of Accounts to be approved by the Council by 31 July 2019. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The latest Statement of Accounts for 2018/19 is attached at Appendix B.
- 1.3 The Annual Governance Statement for 2018/19 was considered and formally approved by Members at the 31 May Audit Committee.
- 1.4 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2019. The Statement of Accounts should therefore include all relevant post balance sheet events up to and including the 31 July 2019.
- 1.5 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2018/19 and in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015. The auditor has outlined in the ISA 260 report being presented to this Committee that they are satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2018/19.
- 1.6 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2018/19 and in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015. The auditor has outlined in the ISA 260 report being presented to this Committee that they are satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2018/19.

2. External Audit of the 2018/19 Statement of Accounts

- 2.1 Due to a peak period of work during June and July, when all local government accounts are audited, our auditor, Grant Thornton was unable to conclude the audit by the 31 July 2019.
- 2.2 The Council has been working with GT since the 1st July to conclude the audit process. The auditor's report (ISA260) reported to the Audit Committee on the 9 December 2019 identified a number of material misstatements in relation to the value of its land and buildings and the classification of Investment Property for 2017/18 and 2018/19 which have been adjusted for and which are detailed in this report. The latest version of

the Statement of Accounts was sent to GTUK on the 11th March and they are yet to confirm an unqualified opinion so that the Council can publish their audited Statement of Accounts for 2018/19.

3 Main Changes to the Statement of Accounts

3.1 Prior Period Adjustment for 2017/18

Following a review of the property values and the asset classifications on the Asset Register for 2016/17 and 2017/18 it was found that the Property Plant and Equipment (PPE) were undervalued by £29.033 million. £1.938 million of this related to the opening balance for 2017/18 and £27.095 million related to 2017/18. An error was also found relating to the incorrect classification of Investment Property which has led to an increase of £98k in the value of Investment Property.

It has also been identified that the Council received a capital grant for £1.949 million in 2017/18 which had been treated as a conditional grant even though the conditions had been met. The accounts have been restated leading to a reduction in the Capital Grants Received in Advance (CGRIA) and a corresponding movement in the Capital Adjustment Account (CAA).

The adjustments mentioned above have led to an increase in the Revaluation Reserve of £18.560 million and an increase of £12.518 million in the CAA.

The detailed movements on the main statements are shown in Note I - Prior Period Adjustment (page 24) of the Statement of Accounts.

3.2 2018/19 Adjustments

The review of property values and asset classifications for the Energy from Waste (EfW) plant, schools and visitor attractions also impacted on 2018/19. It was found that the PPE were undervalued by £29.532 million.

The capital grant issue mentioned above which was initially identified in 2017/18 also impacted on 2018/19. The value of the grant for 2018/19 was £2.341 million. The accounts have been restated and there has been a reduction in the CGRIA of £4.290 million (£1.949m + £2.341m) and a corresponding movement in the CAA.

The adjustments for 2018/19 have also impacted on the Unusable Reserve figures. The Revaluation Reserve (RR) has increased by £19.760 million and the CAA has increased by £13.807 million. All of the adjustments identified have had no impact on the council's general fund and working balances.

4. Looking to the year ahead - Issues for the 2019/20 Statement of Accounts

4.1 Due to the delay in Grant Thornton completing the 2018/19 audit, they will not be undertaking an Interim Audit prior to the Council producing its Statement of Accounts for 2019/20. The Corporate Finance Team will work closely with GTUK to minimise the impact of not undertaking an interim audit.

- 4.2 We will ensure that any improvements identified as part of this year's closedown process will be incorporated into the closedown plan for 2019/20 and progress reported back to the Audit and Governance Committee.
- 4.3 The Council's Internal Valuers and Corporate Finance Team met with GTUK on the 26th February 2020 to discuss the Council's five year rolling programme for asset valuations. This meeting was to discuss and agree changes to the five-year rolling programme to ensure that the Council's material property assets are revalued annually. This should avoid the reoccurrence of the issues raised in the 2018/19 Audit Findings report (ISA260).