

Report to: **Audit Committee**

Date: **13 September 2019**

By: **Chief Finance Officer**

Title of report: **External Auditor's Report 2018/19: Statement of Accounts Update**

Purpose of report: **To update the Committee on changes to the 2018/19 Statement of Accounts after approval by the Governance Committee on 16 July 2019**

RECOMMENDATIONS – The Audit Committee is recommended to:

- (i) Note the report and verbal update from the Chief Finance Officer on the status of the 2018/19 Statement of Accounts.**
-

1. Background

1.1 The 2018/19 Statement of Accounts, together with the external auditor's (Grant Thornton UK LLP (GT)) audit report, were presented for review and discussion to the Audit Committee on 12 July 2019. The reports were then presented, with verbal feedback from the Audit Committee, to the Governance Committee on 16 July 2019, where they were approved.

1.2 Subsequent to this approval, GT requested additional information to support the IAS 19 Pensions note within the accounts. The resulting additional information had a material impact on the accounts, thereby requiring the accounts to be adjusted. As a consequence of these actions, the Council was not in a position to publish its 2018/19 Statement of Accounts, together with the External Audit opinion, by the national deadline of 31 July 2019. The Council's website currently presents the latest draft, with a note explaining the delay.

2. Supporting Information

2.1 International Accounting Standard (IAS) 19 sets out the accounting treatment, for presentation in the Statement of Accounts, of future pension liabilities that may arise from employee retirement benefits.

2.2 As part of the closure of accounts process, an IAS 19 statement is requested from the East Sussex Pension Fund actuary, Hymans Roberson. In order to meet the 31 May deadline for the sign off and publication of the draft Statement of Accounts, to enable public scrutiny, this information is requested in March/April. As a consequence, Hyman's will have to estimate certain elements of the statement. The use of estimates is reasonable and has been approved in previous years' Statement of Accounts.

2.3 Through the course of the audit of the accounts, assurance had been given by GT that the IAS 19 was appropriate and that no further update was required.

2.4 On 29 July, GT contacted the Chief Finance Officer to request an updated IAS 19. The reason for this request was there was a high likelihood that the return on pension assets (processed through the Comprehensive Income and Expenditure Account) and the pension liability (recorded on the balance sheet) was significantly misstated. The auditor had highlighted this issue at another local council that was a member of the East Sussex Pension Scheme.

Enquiries were made with the actuary to resolve the issue at that council and the actuary's response to audit enquiries made clear this was an issue for all councils in East Sussex. The revised IAS19 report from Hymans Robertson showed a material change to the original return received by ESCC in April. The impact on the comprehensive income and expenditure account - deficit on provision of services is £6.24m and the pension liability on the balance sheet was revised from £472.64m to £521.41m. The accounts have been updated to reflect the revised IAS19 report.

2.5 The amended 2018/19 Statement of Accounts were passed to GT for final review. The auditor has confirmed that the accounts have been amended appropriately. The formal sign off of the Statement of Accounts can now proceed and the Notice of completion of the audit published.

3. Conclusion and reasons for recommendations

3.1 The Committee is recommended to note the update from the Chief Finance Officer on the statement of accounts.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ian Gutsell, Chief Finance Officer
Tel. No. 01273 481399
Email: Ian.Gutsell@eastsussex.gov.uk

Local Member(s): All

Background Documents: None