



## AGENDA NO: 8a

### INDEPENDENT AUDIT COMMITTEE - 23 July 2019

### ANNUAL FINANCIAL REPORT 2018/19 - DORSET PCC AND GROUP

### REPORT BY ALEXIS GARLICK

### PURPOSE OF THE REPORT

*The purpose of this report is to present the Annual Financial Report for 2018/19 for Dorset PCC and the Group (the Group comprises the PCC and the Chief Constable).*

#### 1. INTRODUCTION

- 1.1 The CIPFA guidance on Audit Committees recommends the following in relation to financial reporting:

#### **Financial Reporting**

The committee will provide advice and recommendations to the PCC or Chief Constable in relation to:

- Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC and/or the Chief Constable
- Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.

- 1.2 The Annual Financial Report includes:
- A Preface by the Police and Crime Commissioner
  - A Narrative Report by the Chief Finance Officer
  - The Financial Statements for both the Group and the PCC
  - The Annual Governance Statement
- 1.3 With effect from last year (2017/18) the statutory deadline for the preparation of draft financial statements is 31 May and for the publication of final audited accounts 31 July. In the event that either the accounts cannot be finalised or the audit is not complete we are still required to publish the Financial Statements together with an explanation of the position regarding finalisation and audit.

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- 1.4 The External Auditor's report is being considered elsewhere on the agenda. It is expected that an unqualified audit opinion will be received (subject to resolution of the accounting for the pensions liability explained below).
- 1.5 The latest draft accounts are now presented for review. The Committee will receive a presentation accounts at the meeting. This will highlight the key messages of the accounts and the changes that have been made since the draft (unaudited) accounts were published on 31 May.

## **2. PUBLIC INSPECTION PERIOD**

- 2.1 In accordance with statutory requirements the accounts and other documents were made available for inspection during the period from 3 June to 12 July. No requests for information, nor any objections to the accounts, have been received.

## **3. CHANGES IN 2018/19**

- 3.1 The Committee received an update report in April which provided an update on; the previous external audit recommendations; the consideration of changes arising from changes to the accounting Cod; the review of Accounting Policies, and other development work to support the earlier closing timetable.
- 3.2 At that time it was expected that the national transforming forensics programme would be accounted for as an agency arrangement. However, subsequently it was determined that this should be accounted for within the Chief Constable accounts in order to properly reflect the grant arrangements.

## **4. PENSIONS LIABILITY**

- 4.1 At the time of preparing the draft accounts a Contingent Liability was identified in relation to Police Pensions (see Note 27.1 to the Financial Statements).
- 4.2 Earlier this month (July) the Government was denied leave to Appeal to the Supreme Court in the case of McCloud /Sergeant, and is now considering its position. This makes the probability of a material increase in the pensions liabilities more likely and will require the consideration of a change to the accounting treatment previously adopted. All Police Forces (and some other public bodies) are currently in the same position.
- 4.3 The legal ruling around the age discrimination for Judges and Fire Fighters has implications for other pension schemes where they have implemented transitional arrangement on changing benefits. This includes the Local Government Pension Scheme (LGPS) and the Police Pension Scheme.
- 4.4 Revised Actuarial reports have been requested. Once received the data will need to be processed and the accounts amended to reflect the impact. The external auditors will then need to review the amended statements.
- 4.5 As soon as possible, the accounts will be amended and provided to Committee members together with an explanation of the amendments made.
- 4.6 In the event that the final accounts are not available by the Committee date (23<sup>rd</sup> July) it may be necessary for the committee to delegate to a sub-committee for each of the four corporations sole. For Dorset it is suggested that this could be arranged for 30<sup>th</sup> July.

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**5. EXTERNAL AUDIT FEES**

- 5.1 The Committee will note that additional audit fees are being proposed by Grant Thornton in respect of additional work arising out of the pensions issue.
- 5.2 The Committee will no doubt want to be satisfied that the basis of the proposals is reasonable, noting they are subject to approval by the PSAA.
- 5.3 In terms of the accounting treatment of the proposed additional fees, Note 23 – External Audit Costs has been updated to show the additional proposed fees and to clarify that the expenditure will be accounted for in 2019/20 when approved (as this is a trivial amount in relation to the accounting statements).

**6. ANNUAL GOVERNANCE STATEMENT**

- 6.1 The Annual Governance Statement has been updated since the last meeting of the Audit Committee on 2 April 2019, taking into account the Audit Committee's review and comments made.

**7. RECOMMENDATIONS**

- 7.1 The Audit Committee are asked to consider the following and to report back to the respective PCC and CC on the results of its considerations:
  - the selection of appropriate accounting policies;
  - any concerns arising from the audit of the accounts; and
  - the Annual Governance Statement.
- 7.2 That the Committee consider making arrangements to convene a sub-committee meeting (on 30<sup>th</sup> July) to consider any revisions to these financial statements prior to publication on 31 July.
- 7.3 That the proposed additional audit fees are considered.
- 7.4 That the achievement of the Alliance Finance Team is noted.

**Appendices**

- A – Police & Crime commissioner for Dorset - Annual Financial Report for the Year Ended 31 March 2019 **UPDATED DRAFT**
- B – Pensions Adjustments **(TO FOLLOW)**
- C – Police & Crime commissioner for Dorset - Annual Financial Report for the Year Ended 31 March 2019 **FINAL (TO FOLLOW)**

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