



AGENDA NO: 9

INDEPENDENT AUDIT COMMITTEE - 23 July 2019

STATEMENT OF ACCOUNTS 2018/19 DEVON AND CORNWALL

REPORT BY NICOLA ALLEN AND SANDY GOSCOMB

PURPOSE OF THE REPORT

The purpose of this report is to provide the Independent Audit Committee with an overview of the statement of accounts for 2018/19, for Devon & Cornwall PCC Group and Devon and Cornwall Chief Constable, for its consideration.

1. INTRODUCTION

- 1.1. The final accounts are now presented for review. The Committee will receive an update on the Devon & Cornwall final accounts at the meeting. This will highlight the key messages of the accounts and the changes that have been made since the draft accounts were published.
- 1.2. At the time of writing the auditors have not completed their work. The Statutory deadline for the publication of the accounts is 31 July.
- 1.3. 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.*

- 1.4. The External Auditor's report is being considered elsewhere on the agenda. Subject to the outstanding queries it is anticipated that an unqualified audit opinion will be issued.
- 1.5. The Statement of Accounts includes:

- A Narrative Statement
- The Statement of Accounts for 2018/19
- The Annual Governance Statement.

2. STATEMENT OF ACCOUNTS OVERVIEW

- 2.1. With effect from 2017/18 we were required to prepare draft financial statements by 31 May and final audited and published accounts by 31 July. The draft publication date of 31 May was achieved by the Alliance Finance team. This was managed by early preparation and a clear project plan and some exceptional individual effort.
- 2.2. The accounts attached to this report have been amended for grammatical and rounding errors. No amendments have been made (other than roundings) that change the main statements within the accounts.
- 2.3. At the time of writing this report the audit of the statement is not yet complete. The main reason relates to the pension liabilities.
- 2.4. The Court of Appeal ruled that there was age discrimination in the judges' and firefighters' pension schemes (McCloud/Sargeant cases) where transitional protections were given to scheme members. At the end of June 2019 the Government applied to The Supreme Court for permission to appeal the ruling from the Court of Appeal relating to the this judgement which was denied. The impact of this action now needs to be assessed as it is highly likely that this result in an adjustment above the materiality limits for the statement of accounts.
- 2.5. The legal ruling around the age discrimination has implications for other pension schemes where they have implemented transitional arrangement on changing benefits. This include the Local Government Pension Scheme (LGPS) and the Police Pension Scheme.
- 2.6. Revised IAS19 reports which includes the impact of this ruling have been requested from the actuary, but as yet the data has not been received. 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.
- 2.7. The impact of this delay will depend on the timing of the revised data:-
 - Data received by 17th July – the accounts will be amended and circulated to this Committee at the meeting highlighting the amendments made. It is considered highly unlikely that the data will be available in order to circulate amended accounts at the meeting.
 - Data received by 24th July – the accounts will be amended and once the auditors are satisfied the audited accounts will be published with an audit opinion by 31st July.
 - Data received after 24th July – the accounts will be amended but it is unlikely that fully audited accounts will be available to be published by 31st July. In this instance, and in order to satisfy the statutory requirements, the accounts attached to this report will be published with a Public Notice to indicate why the statements are subject to the audit opinion. Once the accounts have been fully audited the statements will then be republished, after 31st July.

3. ANNUAL GOVERNANCE STATEMENT

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

4. RECOMMENDATIONS

4.1. 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.

4.2. That the achievement of the Alliance Finance team is noted.

Nicola Allen
Treasurer, Devon and Cornwall OPCC

Sandy Goscomb
Director of Finance and Resources, Devon and Cornwall Police

Appendices

- a Statement of Accounts 2018/19 – Devon & Cornwall PCC and Group
- b Statement of Accounts 2018/19 – Devon & Cornwall CC