

Audit and Governance Committee

20 September 2017

Report of the Deputy Chief Executive / Director of Customer & Corporate Services

Annual Financial Report - Statement of Accounts 2016/17

Summary

1. This report presents a final set of accounts for 2016/17 to reflect changes made since the draft pre-audit accounts were presented to this committee on 19 July 2017.

Recommendations

2. Members are asked to
 - (a) Note the matters set out in the Audit Completion Report presented by the external auditor in the previous agenda item and summarised in this report.

Reason

To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

- (b) Approve the amended Annual Financial Report at Annex A for signature by the chair from a resolution of this Committee in accordance with the Accounts and Audit Regulations 2015.

Reason

To ensure compliance with the International Auditing Standards and relevant legislative requirements.

Background

3. The International Standard on Auditing (ISA) 260 requires the Council's External Auditor to report to those charged with governance any issues arising from the audit of the financial statements. It is also a statutory

requirement that the Council approves the final statement of accounts after the audit and by 30th September each year.

Analysis

4. The accounts attached at Annex A have been revised since the unaudited version was reported to the Audit & Governance Committee meeting in July 2017. A number of minor amendments have been made to the text and supporting information, mostly to try and improve the information contained within the accounts. There have been no substantive changes made to any of the core statements. All the changes made have been highlighted in the accounts attached at Annex A.
5. It should also be noted that these changes have no impact on the outturn position of the council as all the changes made are minor clarifications and technical accounting adjustments.
6. The Audit Completion Report highlights the auditor's view that the Council has made proper arrangements to secure economy, efficiency and effectiveness in our use of resources. Both the final accounts and the Value for Money assessment will be signed off without qualification.
7. The Value for Money assessment specifically mentions the good progress made by the Council in addressing the major challenges to date and highlights that good progress continues to be made in addressing the financial challenges. It also again notes the positive outturn position for 2016/17 and that financial reporting to members is robust, with sufficient detail to allow proper oversight of the financial position.
8. Only 3 recommendations have been brought to your attention, regarding the technical accounting treatment of the PFI scheme, the valuation of the pension scheme by the fund actuary and the related parties note. The audit has concluded that all other matters are satisfactory.
9. In relation to the accounting treatment of the PFI scheme, when the International Financial Reporting Standards (IFRS) were introduced in 2010/11 the Council amended the way the PFI scheme was accounted for. However, the external auditor at the time determined that the Council should revert back to the previous accounting treatment and we have continued on this basis ever since. Subsequently, the new audit team have reviewed the scheme and do not feel the current accounting treatment is correct. We have therefore committed to review and amend this during the current financial year. This is a technical adjustment that

will have no impact on the PFI arrangement itself, any of the payments made or services received.

10. The details of all the changes made are included in appendix A of the Audit Completion Report. The 2016/17 audit is now substantially complete, and Mazars summarise their review of the accounts in their Audit Completion Report which is presented separately on the agenda for this meeting.
11. The accounts were available for public inspection between the 3rd July and 11th August. There were a number of queries from several residents during this period which had a significant impact on the workload of the finance team.
12. There has been an objection to the accounts by a local elector. The objection raises a number of issues, from which two specific items are being considered further by Mazars. Both items are less than £150k, well below the materiality level of £7.7m, and therefore, regardless of the final determination of the auditors, will not result in any changes to the accounts presented at Annex A to this report.
13. The annual production of the accounts is the subject of continuous review and, as usual, areas for improvement will be identified as a result of any issues identified this year. Any subsequent items identified in the last few days of the audit work will be reported verbally at the meeting.
14. The areas identified in 2016/17 will again form the basis of a structured improvement programme in the build up to the production of next years accounts which will focus on:
 - (i) continued effective project planning to ensure deadlines are achieved, in particular planning for an earlier closedown in 2017/18
 - (ii) continuing to try and improve the accessibility and quality of information provided to residents during the public inspection period
 - (iii) working with the external audit team to improve the overall audit process

Consultation

15. The content of the report of the external auditor has been discussed with the relevant responsible officers. It is reported here for due consultation with those members charged with governance at the council.

Options

16. Not applicable.

Corporate Priorities

17. The Annual Financial Report provides a technical financial summary of the activities of the council and assists in providing the Council with a viable financial position on which to base future budget projections, as well as contributing to the overall effectiveness of the Council's governance and assurance arrangements.

Implications

18. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

Risk Management

19. Areas of risk identified throughout the annual accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met.
20. The Council will fail to comply with legislative and best practice requirements to provide for a proper audit of the Council if it does not consider this report or approve and sign the Annual Financial Report.

Authors:	Chief Officer responsible for the report:			
Debbie Mitchell Finance & Procurement Manager Ext 4161	Ian Floyd Deputy Chief Executive / Director of Customer & Corporate Services			
Emma Audrain Technical Accountant 01904 551170	Report Approved	✓	Date	11/9/17
Wards Affected: All				
For further information please contact the author of the report				

Background Papers:

Audit & Governance Committee 19 July 2017 – Pre Audit Statement of Accounts 2016/17

Annex:

Annex A Final Statement of Accounts 2016/17