

**Audit Committee: 6<sup>th</sup> June 2018**

### **DRAFT 2017/18 STATEMENT OF ACCOUNTS**

#### 1. Purpose of Report

- 1.1 This report presents the 2017/18 Statement of Accounts, the Council's eighth set of accounts prepared in accordance with International Financial Reporting Standards.

#### 2. Recommendation

- 2.1 It is recommended that:

**a) The Audit Committee considers and comments on the work that has taken place to prepare the Authority's draft 2017/18 Statement of Accounts.**

#### 3. Introduction / Background

- 3.1 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the 2017/18 Statement of Accounts. The main requirement is that the Council should lodge a Code of Practice on Local Authority Accounting (the Code) compliant set of accounts with the External Auditor by no later than 31<sup>st</sup> May 2018.

- 3.2 The deadline of 31<sup>st</sup> May is one month earlier than in previous years, as stipulated in the above legislation. The Council's finance team have been aware of this revision and for the past four years leading up to 2017/18, fundamental reviews of working practices have been undertaken to allow this new statutory deadline to be met.

- 3.3 Members of the Committee will be aware that the external auditors for 2013/14 through to 2017/18 are KPMG.

- 3.4 Members of the Committee should note that the Council met all of its statutory obligations with the draft accounts submitted to KPMG on the 31<sup>st</sup> May 2018. It should also be noted that the Accounts and Audit Regulations 2015 no longer require those charged with governance (the Council) to approve the draft accounts prior to the 31<sup>st</sup> May 2018 deadline. This is primarily to allow the Council's officers additional time to prepare the accounts under the more complex and time consuming International Financial Reporting Standards (IFRS) and to place public bodies on a similar reporting footing with the private sector.

- 3.5 To assist Members of the Committee, attached at Appendix 2 is a CIPFA publication "Understanding Local Authority Financial Statements". This publication is designed to give an overall analysis of what the main statements within the Accounts mean, from the perspective of Members. This complements the training provided on this matter last year.

3.6 A further change to the statutory timetable for 2017/18 means that our external auditors have to complete their audit and issue their report to Audit Committee and full Council by no later than 31<sup>st</sup> July.

#### 4. Current Position

4.1 A set of the Council's 2017/18 draft Statement of Accounts are attached at Appendix 1. This document presents the Authority's financial statements in the format required by CIPFA's Code of Practice on Local Authority Accounting 2017/18 (the 'Code'), the Accounts and Audit Regulations 2015 and the Audit Commission Act 1998.

4.2 As previously mentioned, the format of the information is prescribed and based on International Financial Reporting Standards as interpreted by the 'Code' which allows, in the main, comparison to other local authorities and other bodies. Separate revenue and capital final accounts reports detailing the 2017/18 outturn for each Directorate and the overall implications of those positions are due to be submitted to the Council's Cabinet for approval on the 13<sup>th</sup> June 2018. These reports can also be made available to members of the Audit Committee if required.

4.3 The annual audit of the accounts is due to commence in early June 2018. On conclusion of the audit, the External Auditor will issue a formal report and opinion on the accounts. No major amendments to the accounts are anticipated, however, if any significant amendments are required then these will be presented to the Audit Committee and the full Council in a separate report at a later date.

#### 5. Options

5.1 The Council has a statutory obligation to submit the draft 2017/18 Statement of Accounts to the External Auditor by 31<sup>st</sup> May 2018. Failure to do so could result in an audit qualification and consequential reputational damage. This requirement was duly met.

#### 6. Consultations

6.1 The Statement of Accounts have been prepared in conjunction with all Executive Directors and Financial Services support staff. External Audit has been kept informed of progress throughout the accounts closure process.

#### 7. Local Area Implications / Compatibility with European Convention on Human Rights / Reduction of Crime and Disorder / Risk Assessment

7.1 No direct implications.

#### 8. Proposal

8.1 That the Service Director Finance (the Council's s151 officer) submits the draft 2017/18 Statement of Accounts (Appendix 1) to the Audit Committee meeting of the 6<sup>th</sup> June 2018 for consideration and comment.

#### 9. Financial Implications

- 9.1 The Authority's statutory draft financial statements for the financial year 2017/18 are attached at Appendix 1 to this report. For the benefit of Members, this includes on pages 6 to 31, a Narrative Report which introduces the Council and contextualises the financial statements in the economic environment that the Council operates in. It outlines the Council's corporate objectives together with the corporate vision and values.
- 9.2 Furthermore, the requirements state that key performance of the Council must also be presented, from both an internal and external perspective, covering a range of themes such as performance management, treasury management, risk management and the future economic outlook. Though not a formal requirement, the narrative report also explains the relationship between the Authority's management accounts and the financial statements contained within the Statement of Accounts.
- 9.3 The Narrative Report also provides a brief description of the purpose of the main statements within the accounts, including the Movement in Reserves Statement, the Comprehensive Income & Expenditure Statement and the Balance Sheet.
- 9.4 In considering the draft statements, the Audit Committee's attention is drawn to the issues outlined in paragraphs 9.5 to 9.9 below.
- 9.5 The legislative requirements stemming from the Accounts & Audit Regulations 2015 have had the impact of significantly reducing the timeframe allowed for the accounts closure process in recent years. Added to the reductions in staffing and the increasing complexity brought about by International Financial Reporting Standards, this has created workload issues. However all such requirements were still met in full and in overall terms, the Council considers that the overall quality of working papers and files for audit have improved.
- 9.6 The Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 'Code') prescribes the accounting treatment and disclosures for all transactions of a local authority. The 'Code' is refreshed annually as accounting standards evolve.
- 9.7 The 'Code' also sets out the accounting concepts and principles that underpin the Statement of Accounts with the overriding requirement that the accounts provide a true and fair view of the financial position and transactions of the Authority.
- 9.8 In respect of the 2017/18 'Code', the changes are low impact on the Authority, relative to recent years. There are a number of revised reporting requirements and points of clarity, mainly consolidating changes to the 2016/17 Code of Practice.
- 9.9 No significant accounting changes are contained within the 2017/18 Code that impact on the Authority and therefore does not affect the Authority's financial position both in terms of net worth on the balance sheet and through the surplus / deficit reported through its Comprehensive Income & Expenditure Statement (CI&ES).

10. Employee Implications

10.1 No direct implications.

11. Glossary

11.1 CIPFA - Chartered Institute of Public Finance and Accountancy

12. List of Appendices

12.1 Appendix 1 - Draft Statement of Accounts 2017/18.

Appendix 2 – CIPFA’s Understanding Local Government Financial Statements

13. Background Papers

13.1 Various closedown files, working papers and external audit schedules are available for inspection within the Finance Business Unit.

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