



Meeting: Audit Committee

Date: 26 July 2017

Wards Affected: All Wards

Report Title: Statement of Accounts and Annual Governance Statement 2016/17

Executive Lead Contact Details: Mayor Oliver, Executive Lead for Finance and Regeneration

Supporting Officer Contact Details: Martin Phillips – Chief Finance Officer, (01803) 207285, Martin.phillips@torbay.gov.uk

1. Purpose and Introduction

- 1.1. The Accounts and Audit Regulations 2015 require approval of the Council's Statement of Accounts for the year ended 31 March 2017 by a committee of the Council before 30 September 2017. The Accounts show a true and fair view of the financial position of the Council's income and expenditure for the year 2016/17 and its assets and liabilities as at 31 March 2017.
- 1.2. The same regulations, require approval of an Annual Governance Statement to inform Members of the Council's Governance and Internal Control framework and any significant control issues.

2. Proposed Decision

- 2.1 **That Audit Committee review the accounts including the significant accounting policies and consider the External Auditor's report and opinion on the accounts.**
- 2.2 **That following 2.1, Audit Committee approve the Council's Statement of Accounts for 2016/17, as set out in pages 21 to 112 of Appendix 2 to this report and;**
- 2.3 **That following approval in 2.2 above, the person presiding at this meeting shall sign and date the accounts on behalf of the Council, to represent the completion of the Council's approval process of the accounts, in the "Statement of Responsibilities for the Statement of Accounts" shown on page 23 of the Statement of Accounts.**
- 2.4 **That the Letter of Representation to Grant Thornton from the Council in relation to the 2016/17 Statement of Accounts, as circulated at the meeting, be approved.**

3. Reasons for the Decision

- 3.1 The Account and Audit Regulations 2015 require approval of the 2016/17 Statement of Accounts for the year ended 31 March 2017 by a committee of the Council before 30 September 2017. For Torbay the Audit Committee can “on behalf of the Council approve the annual statement of accounts” – report 156/2008 refers. In addition the Regulations require that the person presiding at the meeting shall sign and date the accounts. As a key part of this process the Audit Committee will consider these Accounts prior to approval, and will also receive and consider the External Auditor’s report and opinion on the accounts.
- 3.2 As required by the Account and Audit Regulations 2015 the Accounts were “authorised for issue” by the Council’s Chief Finance Officer on 2nd June 2017 and have been available on the Council’s website since then. The accounts, as required by the Regulations, were available for public scrutiny for 20 working days during June and July 2017.
- 3.3 The annual external audit of the accounts by the Council’s appointed auditor, Grant Thornton, started in June 2017 and was substantially completed in line with the agreed timetable.
- 3.4 Grant Thornton will report on the Accounts to Audit Committee at this meeting which will enable members to consider the External Auditor’s report in their review and approval of the Accounts.
- 3.5 The Accounts presented to the Audit Committee are the Accounts as authorised for issue in June 2017, updated for any issues raised by the External auditor or any adjustments by Council officers up to mid July 2017. If any subsequent alterations in respect of the accounts, as presented to this Committee, are recommended by the External Auditor these will be updated in the Accounts, along with any minor changes agreed with the External Auditor, prior to publication shortly after approval by Audit Committee and receipt of the external auditors “signed opinion”.
- 3.6 Council, in June 2017, received reports on both revenue and capital spending during the last financial year and those reports are consistent with the financial information in the Statement of Accounts.

Supporting information

A1 Introduction and history

- A1.1 The principal legislation relating to the keeping of local authority accounts is contained in the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2015. Local authority accounts are required to present a “true and fair view” of the financial position of the authority. The audit requirements of accounts are contained in the Local Audit and Accountability Act 2014.
- A1.2 The Account and Audit Regulations 2015 regulations require that the responsible financial officer of the Council shall sign by 30th June each year the Statement of Accounts and certify that it presents a “true and fair” view of both the financial position of the Council at the end of the year to which it relates and its income and expenditure. The Council’s responsible financial officer, Martin Phillips, has certified the Accounts at page 24.
- A1.3 The Regulations also require approval of the Statement of Accounts by a committee of the Council before September 30th each year. For Torbay this is the Audit Committee. In addition the Regulations require that the person presiding at this meeting shall sign and date the accounts.
- A1.4 The Statement of Responsibilities for the Statement of Accounts to be signed by the person presiding at this meeting is on page 23 within the Statement of Accounts. The intention behind this requirement is that the signature of the person presiding at the meeting shall formally represent the completion of the Council’s approval process of the accounts.
- A1.5 The Council as part of the process of the external auditor’s opinion on the Accounts is also required to complete a letter of representation to confirm that all relevant information has been disclosed and made available to the auditor. The letter for 2016/17 will be circulated at the meeting.

A2 Accounts and Audit Regulations 2015

- A2.1 The new accounts and Audit Regulations 2015 came into force on the 1 April 2015. These regulations will require Councils to:-
- From 2017/18, publish the unaudited accounts, signed by the Chief Finance Officer, by the 31st May. This is one month earlier than 2016/17.
 - Final publication of the audited accounts by the 31st July, this is two months earlier than the 2011 regulations. The 31st July deadline will also apply to the Annual Governance Statement.
- A2.3 For 2016/17 the Council issued its Accounts within one week after the (future) end of May deadline. It is challenging for the Council to meet this earlier deadline on a regular basis along with changes in accounting expected in future years and the likely requirement for group accounts as well as single entity accounts. This will inevitably continue to place additional pressure on the finance team between March and July each year. It is also a major challenge for external auditors in providing an appropriate audit service in such a short period of time to all Councils along with other public sector bodies.

A3. Whole Government Accounts Agenda

- A3.1 The requirement of the Accounts and Audit Regulations 2015 to "authorise for issue" a (pre audit) copy of the Council's Accounts by 31st May is part of the Whole Government Accounts (WGA) agenda. This is to ensure that all public sector bodies produce their own accounts on a similar timetable each year. From these accounts each body is required to complete an audited WGA return which excludes all transactions and balances with other bodies, so that HM Treasury can produce a set of accounts that represents the income, expenditure, assets and liabilities of the whole public sector.
- A3.2 These requirements place pressures on finance and service staff to produce the information required in a short time period and in particular the pressure tends to fall on a few key individuals in May to produce the statutory accounts. It should be noted that although the Statement of Accounts is produced by Financial Services the support of service staff, who order, authorise and control income and expenditure is vital in this process. The Chief Finance Officer and his staff, again, recognise the support given by service staff and without their support this timetable would not have been met.

A4. Group Accounts and Partnership Working

- A4.1 A key issue that affects the closure of the Council's accounts is the requirement to include the accounts of other bodies where the Council has control or significant control.
- A4.2 The Council owns, or has influence on, a number of companies including TOR2, Careers South West, English Riviera Tourism Company, Torbay Economic Development Company, Oldway Mansion Management Company and Complete Facilities Management Services, a subsidiary of the TDA. These are accounted for, if material, as subsidiary or associate companies depending on the level of Council's control/ownership.
- A4.3 This places additional work on finance staff, both within the Council and within the companies to produce information on an International Financial Reporting Standards (IFRS) basis in a short period to meet the deadline of 30th June and in particular the future end of May deadline from 2017/18. This is a particular pressure for the companies as the timetable for Councils to issue accounts is seven months earlier than the timetable for Companies to issue accounts. The Chief Finance Officer and his staff, again, recognise the support given by staff within these companies and without their support this timetable would not have been met. From 2017/18 with the earlier production of Council accounts, by end of May each year, this will also impact on the related companies.
- A4.4 The partnership for Adult Social care with the Torbay and South Devon NHS Foundation Trust requires the Trust to provide final account information to the Council promptly for inclusion within its accounts. The information has always been provided within agreed timetables.
- A4.5 In addition the Council has to disclose details of all arrangements with other bodies that could be classified as a related party or pooled budget arrangement such as the Devon Audit Partnership Joint Committee. It is vital that the Council

has an understanding of all the “partnerships” and joint working arrangements it has entered into, particularly in terms of legal issues, financial control and any risks and/or rewards the Council has from the arrangement.

A5 2016/17 Statement of Accounts

- A5.1 The Accounts are included within the “Financial Reports and Accounts for the Year 2016/17” as shown in appendix 2. The Accounts are produced in line with IFRS and “proper practice” issued by CIPFA. As a result it is a technical document with its content and format largely prescribed by guidance and legislation.
- A5.2 The other information included in the Financial Report, i.e the Narrative Statement and Annual Governance Statement are published with the Accounts.
- A5.3 The Council’s accounting policies, which underpin the information within the Statement of Accounts, are reviewed on an annual basis by the Chief Finance Officer to ensure that the selection of the accounting policies is consistent with the latest guidance and standards (IAS8). The Council’s Accounting Policies that are significant are shown within the Statement of Accounts on pages 84 to 107 and are part of the approval of the Accounts.

A6 Annual Governance Statement

- A6.1 As required by the Accounts and Audit Regulations as part of its annual review of its internal control system, the Council will prepare an Annual Governance Statement which is then approved by a committee of the Council; in this case Audit Committee on 31st May 2017 approved the Statement subject to a meeting with the Assistant Director of Corporate and Business Services. Since that meeting there have been some minor changes to the Statement which have been agreed with the Chair of Audit Committee.
- A6.2 The 2016/17 Annual Governance Statement is included at pages 112 to 125, and is required to be published as part of the Statement of Accounts.

A7. Other Final Accounts Requirements

- A7.1 The Approval of the Council’s statutory Statement of Accounts is an important part of the final accounts process; however there are other requirements that relate to 2016/17 year end. These include:
- WGA Return, subject to a limited external audit
 - Revenue and Capital Central Government returns on 2016/17
 - Schools related “section 252” return
 - Grant claims which will be subject to external audit
 - The publication of the Statement of Accounts
 - Publishing (and advertising) the Accounts and completion of the audit

A8 Local Audit and Accountability Act 2014

- A8.1 In August 2010, the Secretary of State for Communities and Local Government announced plans for new arrangements to audit local public bodies in England

which resulted in January 2014, the Local Audit and Accountability Act receiving Royal Assent.

A8.2 The Audit Commission appointed Grant Thornton as the Council's external auditor for a minimum period of five years from 2012/13. The Council now has to appoint its own External Auditor for the 2018/19 year by the end of December 2017. Members will recall that on 23 February 2017 Council agreed to Opt in to the National Scheme for Auditor Appointments with Public Sector Audit Appointments (PSAA) as the Appointing Person. The Council will receive notice of an external auditor in the autumn. Nationally there is expected to be an 18% reduction in fees from the procurement process.

A9 Highway Network Assets

A9.1 It was anticipated that for the 2016/17 accounts, the accounting of transport infrastructure assets (road, footpaths, traffic signals etc) was to be included. However as previously reported to the Audit Committee this change to the accounts had been withdrawn by CIPFA until further notice.

A10 Possibilities and Options

A10.1 Approval of the Accounts by 30th September is a statutory requirement.

A.11 Preferred Solution /Option

A11.1 As set out in the recommendation.

A.12 Risks

A12.1 Impact on Council's reputation and negative external auditor comments if Accounts are not approved by 30th September.

A13 Consultation

A13.1 The unaudited Accounts have been on the Council website since early June 2017, together with a public notice advertising the public inspection period. The public notice has also been displayed on the public notice board outside of the Town Hall.

Appendices

Appendix 1 – Financial Reports and Accounts for the year 2016/17