



Meeting: Audit Committee

Date: 25 July 2018

Wards Affected: All Wards

Report Title: Statement of Accounts and Annual Governance Statement 2017/18

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 2018 by a committee of the Council before 30 July 2018. The Accounts show a true and fair view of the financial position of the Council's income and expenditure for the year 2017/18 and its assets and liabilities as at 31 March 2018.
- 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 2017/18,**
- 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" in the Statement of Accounts.**
- 2.4 **That the Letter of Representation to Grant Thornton from the Council in relation to the 2017/18 Statement of Accounts, as set out in Appendix 1 to this report, be approved.**

3. Reasons for the Decision

- 3.1 The Account and Audit Regulations 2015 require approval of the 2017/18 Statement of Accounts for the year ended 31 March 2018 by a committee of the Council before 30 July 2018. 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 31 May 2018 and have been available on the Council’s website since then. The accounts, as required by the Regulations, were available for public scrutiny during June and early July 2018.
- 3.3 The annual external audit of the accounts by the Council’s appointed auditor, Grant Thornton, started in May 2018 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 May 2018, updated for any issues raised by the External auditor or any adjustments by Council officers up to mid July 2018. 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 2018, 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 May 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.
- A1.3 The Regulations also require approval of the Statement of Accounts by a committee of the Council before July 30 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 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. This letter for 2017/18 is shown in appendix 1.

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 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 2017/18 the Council issued its Accounts by the end of May deadline and the external audit of the accounts started that week. This is a good achievement for the Council and its finance team. It is challenging for the Council to meet earlier deadlines on a regular basis along with further 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 May each year.

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 Head of Finance 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, and its subsidiaries, Torbay Economic Development Company, Oldway Mansion Management Company and three Housing related companies. 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 31 May. 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 Head of Finance and his staff, again, recognise the support given by staff within these companies and without their support this timetable would not have been met.

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 2017/18 Statement of Accounts

A5.1 The Accounts are included within the "Financial Reports and Accounts for the Year 2017/18" 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 and are part of the approval of the Accounts.

A6 2018/19 and future year Statement of Accounts

A6.1 There are a number of accounting changes and others issues that will impact on future year Council Accounts:

- 1) If the turnover of the council's subsidiary companies increases to be "material", then in addition to completing single entity accounts by end of May the Council will also have to produce consolidated group accounts by that date as well. This will put particular pressure on the subsidiary companies to produce draft accounts by early May each year to enable the Council's finance staff time to consolidate and produce group accounts.
- 2) For 2018/19 a new accounting standard in relation to Financial Instruments comes into force. This may require currently unrealised movements in the value of certain financial instruments (such as the CCLA property fund) to be treated as a gain or loss in a year. A statutory "override" may however be introduced to mitigate against such an impact.
- 3) For future years, a new accounting standard in relation to Leasing will have more of an impact. The definition of a finance lease and operating lease will disappear with the majority of leases to be recognised as a lease asset and liability on the lessee's balance sheet.

A7 Annual Governance Statement

A7.1 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 22 May 2018 approved the statement subject to a number of minor changes requested by the Committee being made.

A7.2 The 2017/18 Annual Governance Statement is included and is required to be published as part of the Statement of Accounts.

A8. Other Final Accounts Requirements

A8.1 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 2017/18 year end. These include:

- WGA Return, subject to a limited external audit
- Revenue and Capital Central Government returns on 2017/18
- Children's Services 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

A9 Possibilities and Options

A9.1 Approval of the Accounts by end of May is a statutory requirement.

A.10 Preferred Solution /Option

A10.1 As set out in the recommendation.

A.11 Risks

A11.1 Impact on Council's reputation and negative external auditor comments if Accounts are not approved by end May.

A12 Consultation

A12.1 The unaudited Accounts have been on the Council website since early June 2018, 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 – 2017/18 Letter of Representation

Appendix 2 – Financial Reports and Accounts for the year 2017/18