

 <b>Finance and Audit Scrutiny Committee</b> <b>27 November 2018</b>		<b>Agenda Item No.</b> <b>9</b>
<b>Title</b>	2017/18 Statement of Accounts and Audit Findings Report	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee 29 August 2018	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	22/11/2018	Andrew Jones
Head of Service	22/11/2018	Mike Snow
CMT	22/11/2018	
Section 151 Officer	22/11/2018	Mike Snow
Monitoring Officer	22/11/2018	Andrew Jones
Finance	22/11/2018	Mike Snow
Portfolio Holder(s)	22/11/2018	Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 This report presents the 2017/18 Audited Statement of Accounts to be agreed by the Committee. It also presents a change to the 2017/18 Annual Governance Statement. The External Auditor's Audit Findings Report is presented.

## 2. **Recommendation**

- 2.1 It is recommended that the Committee:-

- a) Notes the 2017/18 Audit Findings Report.
- b) Approves the changes to the Annual Governance Statement.
- c) Approves the letter of representation on behalf of the Council.
- d) Approves the 2017/18 Audited Statement of Accounts.
- e) Endorses the recommendations contained within the Audit Findings Report.

## 3. **Reasons for the Recommendation**

- 3.1 In July the Committee received a report explaining how it had not been possible for the 2017/18 Statement of Accounts and audit thereof to be completed by the new statutory deadline of 31 July.
- 3.2 Draft Accounts were published by the 31 May deadline. However, there were two notes within the accounts that were incomplete. In addition, the Accountants had concern as to the accuracy of some of the figures within that draft for which shortage of time had prevented being corrected.
- 3.3 As previously reported to the Committee, in seeking to make the corrections needed, further significant errors were discovered. The causes of these errors and related issues have already been reported to members.
- 3.4 The changes to the four main statements are shown in Appendices 1-4. Most of these changes related to the capital accounting requirements. It will be noted that such changes do "ripple" throughout the accounts, changing many of the headline figures and totals within the all the statements. Within these appendices "V1" refers to the original Statement of Accounts published in draft on the Council's website on 31 May 2018 and "V2" is the amended version taking into account primarily capital accounting changes, as presented to the auditors at the commencement of the audit.
- 3.5 The table below summarises the impact of these changes:-

	<b>31/05/2018</b>	<b>27/11/2018</b>
	<b>£000</b>	<b>£000</b>
<b>General Fund</b>		
Surplus for the year	858	914
Earmarked Reserves Balance	16,071	15,873
<b>Housing Revenue Account</b>		
Additional Surplus transferred to Capital Investment Reserve	1,286	1,065
HRA Earmarked Reserves Balance	28,236	29,139

- 3.6 As reported previously to the Committee, the original Statements included Group Accounts in respect of the PSP Warwick LLP. This was the first year for which Group Accounts had been included. In discussion with the auditors, it has now been agreed that Group Accounts are not necessary for 2017/18, with the figures being non-material. Under the agreements for the LLP, the Council has no liability for any of the losses currently shown on the LLP accounts. However, accounting requirements for Group Accounts would not have made this apparent. Consequently, it was agreed that the Group Accounts may detract from the public's understanding of the Council's financial position, and even confuse the position. In place of the Group Accounts, an extended Related Party Transaction Note (31) has been included. Based on the expenditure of the LLP during this year, it is likely Group Accounts will be required for the 2018/19 Statement of Accounts.
- 3.7 In May 2018, the Finance and Audit Scrutiny Committee agreed the Annual Governance Statement for 2017/18. Within that Statement there were no significant governance issues identified. However, the subsequent failure of the Council to meet the statutory deadline for the publication of its audited financial statements has been identified as a significant governance issue. Consequently, the Annual Governance Statement within the attached Statement of Accounts has been updated to reflect this point. The Committee is asked to approve the amended Annual Governance Statement (pages 107-112 of the Statement of Accounts).
- 3.8 As previously agreed with members, regular reports will be brought to the Executive and the Finance and Audit Scrutiny Committee on the progress of the recommendations contained within the Audit Findings Report as well as the progress of the overarching action plan presented to the Executive on 31 October.
- 3.9 The audit of the accounts is now virtually complete, with the Audit Findings Report from the external auditors having been issued (attached). The Audit Findings Report includes an Action Plan (Appendix A). Responses to these recommendations are being considered and will be made available to the Committee before the meeting.
- 3.10 The auditors anticipate issuing an unqualified opinion of the Statement of Accounts. In terms of the Value For Money Conclusion, they will issue a "qualified 'except for' conclusion" in respect for securing economy, efficiency and effectiveness in the Council's use of resources. As explained in the Audit Findings Report, the Value For Money Conclusion has had to be partly qualified due to the issues identified in respect of timely financial reporting.
- 3.11 Members are requested to agree the Statement of Accounts and the Letter of Representation (to follow).
- 3.12 As at the time of writing this report, the auditors still have to complete some elements of their work, as detailed at the start of their report. Whilst it is not anticipated this work will reveal any further issues, it is possible that it may not be completed by the time the Committee meets. If that is the case, the recommendations in section 2 should be amended to enable delegation to the Head of Finance, in consultation with the Finance Portfolio Holder and Chairman of Finance and Audit Scrutiny to sign off the Accounts and the Letter of Representation.

- 3.13 The last few months have been extremely difficult for the Accountants in producing updated accounts. This has involved contending with staff shortages whilst continuing to provide on-going service to officers and members. The period has also been very difficult for the auditors. There has been an on-going dialogue with the auditors throughout the process. Consequently, the auditors have had to be extremely flexible in the timing of the audit and the scheduling of their resources. Thanks are due to the Accountants and the Auditors for their hard work and commitment throughout the last few very difficult months.

#### 4. Policy Framework

##### 4.1 Fit for the Future (FFF)

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.		
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.		

## **4.2 Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies. The 2017/18 Accounts are consistent with the relevant supporting strategies.

## **4.3 Changes to Existing Policies**

No proposed changes to existing policies are proposed.

## **4.3 Impact Assessments**

N/A

## **5. Budgetary Framework**

5.1 The delay to the completion of the audit of the accounts will result in increased audit costs. To try to mitigate any additional costs, the auditors have moved off site where possible to enable the Accountants to concentrate on their work on the Accounts. The additional costs are likely to relate to:-

- Skill mix of staff – with increased requirement for more senior auditor input (e.g. for meetings)
- Extra planning meetings
- Larger samples needing to be checked.
- Greater risks now perceived based on what has happened.
- Some of the work already done needing to be re-done.

5.2 When more details of the additional costs of the audit are known, these will be reported to members.

5.3 In terms of the Accountants, additional one-off resources have been factored in to the Quarter 2 Budget Review Report to fund the staffing included within the Action Plan considered by the Executive in October.

## **6. Risks**

6.1 The impact of the audited accounts being signed off late is more reputational.

## **7. Alternative Option(s) considered**

7.1 No alternative options are presented for consideration.