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|    | <b>Finance and Audit 25/7/2017</b>  | <b>Agenda Item No.</b> |
|   |   | <b>4</b>               |
| <b>Title</b>  | Statement of Accounts and Annual Governance Statement 2016/17   |                        |
| <b>For further information about this report please contact</b>   | Marcus Miskinis Tel 01926 456804<br>marcus.miskinis@warwickdc.gov.uk  |                        |
| <b>Wards of the District directly affected</b>  | None  |                        |
| <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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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>   | 27 July 2016: Budget Review to 30 June 2016<br><br>28 September 2016: Fees and Charges 2017/18<br><br>2 November 2016: Budget Review to 30 September 2016<br><br>30 November 2016: General Fund Base Budgets latest 2016/17 and Original 2017/18<br><br>30 November 2016: Housing Revenue Account Base Budgets latest 2016/17 and Original 2017/18<br><br>8 February 2017: GF Budget 2017/18 And Council Tax – Revenue & Capital<br><br>HRA Budget 2017/18 And Rents<br><br>23 February 2017: Formal Council Tax Resolution |                        |
| <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>  |   |                        |
| <b>Equality Impact Assessment Undertaken</b>  | No (This Report is a  |                        |

|  |                 |
|--|-----------------|
|  | matter of fact) |
|--|-----------------|

| <b>Officer/Councillor Approval</b>                                       |             |                     |
|--|-------------|---------------------|
| <b>Officer Approval</b>  | <b>Date</b> | <b>Name</b>         |
| Chief Executive/Deputy Chief Executive                                   | 10/7/2017   |                     |
| Head of Service  | 10/7/2017   | Mike Snow           |
| CMT  | 10/7/2017   |                     |
| Section 151 Officer  | 10/7/2017   | Mike Snow           |
| Monitoring Officer   | 10/7/2017   |                     |
| Finance  | 10/7/2017   | Report from Finance |
| Portfolio Holder(s)  | 10/7/2017   | Peter Whiting       |
| <b>Consultation &amp; Community Engagement</b>                           |             |                     |
| Not Applicable   |             |                     |
| <b>Final Decision?</b>   | Yes         |                     |
| <b>Suggested next steps (if not final decision please set out below)</b> |             |                     |

## 1. **Summary**

- 1.1 The 2016/17 Accounts have been closed, are currently being audited and are to be made available on the Council's Website by the end of July. The Audited Statement of Accounts are presented to Finance and Audit Committee for their approval.
- 1.2 The Executive are due to consider the Final Accounts on 26<sup>th</sup> July. This report will detail the out-turn by Fund with explanations for significant variations from Budget.
- 1.3 The Final Accounts process for 2016/17 has been brought forward this year to comply with the regulations which come into force for the 2017/18 Final Accounts. Under the Accounts and Audit Regulations 2015, local authorities' audited Statement of Accounts from 2017/18 must be published by 31 July 2018, and annually thereafter. The Final Accounts process for 2016/17 has been brought forward this year to comply with this.
- 1.4 The Accounts were completed by the end of May, allowing 2 months for the Audit process.

## 2. **Recommendation**

- 2.1 It is recommended that the Committee:-
  - a) Notes the 2016/17 Audit Findings Report (report to follow)
  - b) Approves the letter of representation (to follow), on behalf of the Council.
  - c) Approve the Audited Statement of Accounts.

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

- 3.1 As part of corporate governance, Members have an important role in overseeing the framework of internal control of the Council.
- 3.2 The Council's Constitution states that the Finance and Audit Scrutiny Committee will act as the Council's audit committee. In November 2016, the Constitution was updated so that this Committee will approve the Council's Statement of Accounts each year.
- 3.3 As at the time of writing this report, the audit of the accounts is still on-going. However, it is understood that the audit is progressing well. The auditors have yet to finalise their Audit Findings report. This is hoped to be available shortly, and will be sent to members of the Finance and Audit Scrutiny Committee as soon as possible, ahead of the meeting on the 25<sup>th</sup>. The external auditors will be present at that meeting.
- 3.4 The Council also needs to provide a Letter of Representation to the auditors before they will issue their opinion. A draft of the letter will be provided along with the Audit Findings Report.

## 4. **Policy Framework**

- 4.1 **Policy Framework** – The Final Accounts for 2016/17 represent a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with

- 4.2 **Fit for the Future** – Any variations impacting on Fit For the Future projects will be incorporated into those projects. This report is looking into the previous year, only savings already achieved will be included in these figures.
- 4.3 **Impact Assessments** – The Council’s Final Account covers the community throughout the District. It is a statement of fact and officers will have considered any impact when amending their budgets.

## 5. **Budgetary Framework**

- 5.1 The Statement of Accounts 2016/17 (Appendix A) is a historic account of the financial performance of the year and shows comparison with the budget (where appropriate) for 2016/17 and with 2015/16.
- 5.2 The Final Accounts for 2016/17 represent a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with. More details on the Council’s overall performance, with details of the Revenue and Capital variations are discussed within the Final Accounts report on the 26 July Executive agenda.

## 6. **Risks**

- 6.1 There have been numerous risks throughout the process, with Officers maintaining a Risk Register to monitor these. Approval of the Statements is the final stage prior to publication.
- 6.2 Audit issues, failure to gain approval of these Statements or IT problems are the only risks remaining for 2016/17.

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

- 7.1 This Council could have chosen to delay the early closure process until next year. However, piloting this in advance provides an opportunity to review where problems are likely to arise and refine the timetable for future years.

## 8. **Background**

### 8.1 **The Statements**

- 8.1.1 The Statement of Accounts is attached as Appendix A. This has been updated from the initial draft completed in May to reflect the initial comments from the auditors, these so far being minor changes to the narrative. The Statement has been prepared using principles and practices of accounting which ‘presents a true and fair view’ of the financial position and transactions of the Council. ‘Proper accounting practices’ are deemed to be those specified in CIPFA’s “Code of Practice on Local Authority Accounting in the United Kingdom 2016/17” (“the Code”) which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.
- 8.1.2 The Statement of Accounts comprises four primary statements plus two supplementary statements that reflect specific activities of a shire district council – the Housing Revenue Account and the Collection Fund.
- 8.1.3 A new Supplementary Statement (page 18) precedes the primary statements. The Expenditure and Funding Analysis demonstrates to council tax and rent

payers how the funding to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how the expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- 8.1.4 The first primary statement is the Comprehensive Income and Expenditure Statement (page 19). This is a more detailed analysis of the true economic cost of providing services referred to above. Although it would appear that the Council is operating at a large surplus, this is mainly due to the HRA impairments reversal (-£36.8m) and the new accounting regime operating in the wake of HRA Self Financing in 2011/12, whereby the Council is putting aside resources to build more homes. This is now shown by Portfolio and not the CIPFA Service categories. The 2015/16 analysis has been restated accordingly.
- 8.1.5 The second primary statement is the Movement in Reserves Statement (page 20). This shows the movement in the year on the different reserves held by the Council and analyses them into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (i.e. 'unusable reserves'). The statement shows the true economic cost of providing the Council's services, the statutory adjustments required for tax and rent setting and the use of any earmarked reserves.
- 8.1.6 The Balance Sheet (page 21) is a relatively simple statement with the details now being provided in the notes.
- 8.1.7 Similarly, the Cash Flow Statement (page 22) is a summarised account with the notes providing the details. The Cash Flow statement includes both cash and cash equivalents i.e. non-cash items that can be quickly liquidated, such as short term investments.

## **8.2 Annual Governance Statement**

- 8.2.1 The Accounts and Audit (England) Regulations 2015 require local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and include a statement on internal control in any Statement of Accounts. The regulations require local authorities to produce the statement in accordance with 'proper practices in relation to internal control'.
- 8.2.2 Following various reviews a new Framework has been put in place which recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement.
- 8.2.3 To support the conclusions in the Annual Governance Statement, each year a review is to be carried out of the system of internal control to highlight any serious control issues and actions needed to deal with them.
- 8.2.4 The Annual Governance Statement, containing the findings of the review, is appended to the Statement of Accounts.

- 8.2.5 As expected, for an authority of our size, the review identified a number of areas for improvement in internal control and these form a series of actions to take. The progress on the actions coming out of the Annual Governance Statement is regularly monitored by the Senior Management Team.
- 8.2.6 The Annual Governance Statement was approved by this Committee at its meeting on 31<sup>st</sup> May 2017.