

Annual Accounts 2017/18

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Ellie Dunnet, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report sets out the findings of the external auditor's work on the 2017/18 financial statements audit and value for money conclusion, and requests that the Committee approves the 2017/18 financial statements.

We understand that the external auditor is intending to issue an unqualified audit opinion and value for money conclusion. A representative from the external audit team will be in attendance at the meeting to present the audit findings and respond to any questions the Committee may have.

This report makes the following recommendations to this Committee:

1. That the external auditor's Audit Findings Report, attached at **Appendix 1** is noted.
2. That the audited statement of accounts attached at **Appendix 2** is approved.
3. That the Letter of Representation attached at **Appendix 4** is approved.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	30 July 2018

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1. INTRODUCTION AND BACKGROUND

1.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance and Standards Committee by 31 July in accordance with the Accounts & Audit Regulations.

1.2 The Statement of Accounts consists of:

Narrative Report – this summarises the Council’s performance over the financial year 2017/18 and highlights the most significant elements of the financial statements.

Comprehensive Income and Expenditure Statement (CIES) – shows the accounting position of the council, and whether operations have resulted in a net surplus or deficit. The accounting position includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

Movement in Reserves Statement – this is a financial statement which details the balances the council held in reserves at 31 March 2018, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

Balance Sheet – this can be seen as a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31 March 2018.

Cash Flow Statement – sets out the authority's cash receipts and payments during the year, and analyses them into operating, investing and financing activities.

Accounting Policies and Supporting Notes – additional information provided to add context to the numbers presented in the main financial statements, and details judgements made by management in preparing this information

Collection Fund Statement – this sets out income and expenditure in relation to Council Tax and Business Rates, and represents the position of the Council’s role as a billing authority in collection revenue on behalf of other bodies.

1.3 The council’s financial statements must comply with CIPFA’s Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements.

1.4 The draft accounts were produced by the deadline of 31 May in accordance with the revised timetable for this process which came into force this year. External audit work commenced on 20 June.

- 1.5 The audited version of the Statement proposed for approval at this meeting is attached at Appendix 2.
- 1.6 The accounts show that the balance on the general fund and earmarked reserves has decreased by £5.4m to £11.92m at the end of 2017/18. The decrease relates to use of New Homes Bonus previously set aside for capital expenditure to fund large acquisitions during 2017/18.
- 1.7 Other headline messages from the Statement of Accounts can be summarised as follows:
- The revenue outturn for the year was an underspend of £0.2m compared with the budget.
 - The value of long term assets has increased by £6.6m. This reflects a number of significant property acquisitions made during 2017/18, including 15 further temporary accommodation units, and two groups of commercial / industrial units.
 - Movements in the short term debtor and creditor balances reflect Collection Fund balances, and money which the Council is holding on behalf of other bodies.
 - A restatement of 2016/17 figures has been made following the identification of an error in the liability disclosed in relation to the leisure centre contract.
 - Long term liabilities have decreased by £4.2m, which predominantly results from the decrease in the pension liability following the annual assessment of the fund by actuaries acting on behalf of Kent County Council. There is a corresponding increase in the value of unusable reserves. While this has a substantial impact on the net worth of the council as recorded in the balance sheet, statutory arrangements in place to fund the deficit mean that the financial position of the council remains healthy. The deficit is currently being addressed through increased contributions to the fund over the working life of employees, as assessed by the scheme actuary.
- 1.8 The Statement of Accounts attached at Appendix 2 reflect changes that were identified during the course of the audit, and also incorporates suggestions made by members during the briefing session held in June.
- 1.9 During the session in June, members requested some clarification of the relationship between the financial performance information presented within the Narrative Report and the rest of the financial statements. In response to this recommendation, some additional wording has been added to the report in order to signpost this to the reader more clearly. Appendix 3 also sets this out in greater detail.
- 1.10 A small number of suggestions to improve the presentation and clarity of the accounts were made by the external auditor and have been taken on board by officers. Additionally, a correction was made to supporting note 21 – Financial Instruments as the balance on the Council’s current account

at 31st March 2018 had not been disclosed as a financial instrument. This change did not affect the main financial statements or the general fund balance.

- 1.11 External audit work is now substantially complete, and findings will be summarised within the Audit Findings Report. Please note that this report will follow publication of the agenda, but will be available for consideration at the meeting.

Letter of Representation

- 1.12 The Letter of Representation attached at Appendix 4 is written from the Council to the external auditor and will be signed by the Director of Finance and Business Improvement. [To follow]
- 1.13 This is provided for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.
- 1.14 The letter confirms that the Council has fulfilled its responsibilities and provided the external auditor with access to all information of relevance to the financial statements audit including records, documentation and other matters.
- 1.15 The letter also confirms that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. The appropriateness of this statement is evidenced by the fact that all services have full revenue budget provision for 2018/19 onwards and the capital programme, asset management plan and medium term financial strategy for 2018/19 onwards consider only service efficiencies and growth in corporate or service objectives.

2. AVAILABLE OPTIONS

- 2.1 The recommendation being made to the Committee is to approve the Statement of Accounts for 2017/18, taking into consideration the work of the external auditor.
- 2.2 If the Committee chose not to approve the Statement of Accounts, this would result in the Council failing to meet its statutory responsibilities under the Accounts and Audit Regulations.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 The formal approval of the Statement of Accounts is a statutory requirement. The draft opinion of the external auditor is provided within Appendix 2 and concludes that the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

3.2 On this basis, it is considered appropriate for the Committee to approve the audit Statement of Accounts for 2017/18.

4. RISK

4.1 Failure to meet the statutory deadline for production and audit of the annual accounts would result in this being highlighted in Public Sector Audit Appointments Limited's report on the results of auditors' work. The impact of this risk materialising would have largely reputational repercussions for the Council, and would limit the Council's capacity to demonstrate accountability and value for money in its use of public funds. This risk has been considered with reference to the Council's risk management framework, and is considered to be within acceptable levels.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this have been published on the Council's website and the statutory period ended on 23rd July. To date, no enquiries have been received in relation to this.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The external auditor is required to issue the audit opinion by 31st July.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall	Head of Finance

	achievement of its aims in demonstrating accountability and value for money.	
Risk Management	This is detailed within section4.	Head of Finance
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2018, and details the council's assets, liabilities and reserves at this date.	Head of Finance
Staffing	No implications identified.	Head of Finance
Legal	No implications identified.	Head of Finance
Privacy and Data Protection	No implications identified.	Head of Finance
Equalities	No implications identified.	Head of Finance
Crime and Disorder	No implications identified.	Head of Finance
Procurement	No implications identified.	Head of Finance

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: External Auditor's Audit Findings Report (TO FOLLOW)
- Appendix 2: Audited Statement of Accounts 2017/18
- Appendix 3: Narrative Report Excerpt – Financial Performance
- Appendix 4: Letter of Representation (TO FOLLOW)

9. BACKGROUND PAPERS

None