



29TH AUGUST 2017

AUDIT COMMITTEE

AGENDA ITEM (8)

STATEMENT OF ACCOUNTS 2016/17

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| Accountable Members | Audit Committee |
| Accountable Officer | Jenny Poole Chief Finance Officer 01285 623313 jenny.poole@cotswold.gov.uk |

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| Purpose of Report | To receive the audited Statement of Accounts 2016/17 and the Audit Findings for this Council. |
| Recommendations | (a) That the Grant Thornton audit findings report for this Council be noted; (b) that the Statement of Accounts 2016/17 be approved; (c) that the considers Letter of Representation 2016/17 and approves it for signature by the Chairman of the Committee and the Chief Finance Officer, on behalf of the Council to enable the opinion to be issued. |
| Reason for Recommendation | The Council is statutorily obliged under the Accounts and Audit Regulations 2003 to publish its Statement of Accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting (the Code). |

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| Ward(s) Affected | N/A |
| Key Decision | No |
| Recommendation to Council | No |

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| Financial Implications | The Council Audit and inspection fees for the 2016/17 year (excluding grant certification work and ad hoc work) are £44,879 as detailed in note 37 of the Statement of Accounts |
| Legal and Human Rights Implications | None |
| Environmental and Sustainability Implications | None |
| Human Resource Implications | None |

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| Key Risks | By not approving the Statement of Accounts the Council will fail to comply with the Accounts and Audit Regulations 2003 |
| Equalities Impact Assessment | Not Required |

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| Related Decisions | Cabinet - 15 th June 2017 - Revenue Outturn 2016/17 Audit Committee - 4 th July 2017 - Draft Statement of Accounts |
| Background Documents | None |
| Appendices | Appendix 'A' - Grant Thornton Audit Findings for Cotswold District Council Appendix 'B' - The Statement of Accounts 2016/17 Appendix 'C' - Letter of Representation N.B. - Appendices to follow |

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| Performance Management Follow Up | Following approval the Statement of Accounts will be published on the Council's website. |
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| Background Information | |
| 1. <u>The Statement of Accounts 2016/17</u> | |
| 1.1 The draft 2016/17 Statement of Accounts was signed as approved by the Group Manager GO Shared Services (as Section 151 Officer) on 8 th June 2017 and submitted to Grant Thornton for external audit. | |
| 1.2 This Committee considered the draft Statements at its Meeting on 4 th July 2017, when Officers outlined the main movements in balances between 31 st March 2016 and 31 st March 2017, highlighting key figures and messages that Members should be aware of (Minute AUD.13 refers). | |
| 1.3 The audit of the Statement of Accounts is substantially complete and the auditor has provided a draft 'Audit Findings Report' on the outcomes of the audit and the work done. There is one matter outstanding, as discussed in paragraph 2.1.7, which needs to be resolved before the final report can be issued. The final report, Appendix 'A' , will be circulated in due course, and will include the Auditor's Value for Money conclusion. Representatives of Grant Thornton will present the Audit Findings report at the Meeting. | |
| 1.4 The Statement of Accounts 2016/17 has been updated to incorporate the adjustments required as a consequence of the audit to date. Once the matter set out at 2.1.7 has been resolved, the final version of the Accounts, Appendix 'B' , will be circulated in due course. The revenue outturn position reported in July 2017 remains the same, although changes were made to the balance sheet and some notes to the accounts. These adjustments did not affect the 'net worth' of the Council and the impact is outlined at paragraph 2 of this report. | |
| 1.5 The four core statements within the Accounts are:- | |
| 1.5.1 <u>Comprehensive Income & Expenditure Statement</u> | |
| The Statement shows the accounting cost of services in accordance with generally accepted accounting practices, rather than services funded purely from taxation. The 'below the line' funding & accounting entries that bring the Statement back to the movement on the General Fund (reversing items such as depreciation and impairment and accounting for pension contributions) form part of the Movement in Reserves Statement below. | |

1.5.2 Movement in Reserves Statement

The Statement details the movement in the year between reserves, from the surplus/deficit on provision of services in the Comprehensive Income & Expenditure Statement, to the position on the Balance Sheet at 31st March, splitting the reserves into the usable reserves (which are available to spend) and unusable reserves which represent reserve held for accounting purposes (and are not available for use).

1.5.3 Balance Sheet

The Balance Sheet depicts the assets and liabilities of the Authority, with the overall position representing the 'net worth' of the Council.

1.5.4 Cash Flow Statement

The Statement shows the year-on-year change in cash and cash equivalents (i.e. on demand deposits) available to the Council, rather than simply showing the movement in the bank balance.

1.6 The 'notes to the accounts' provide additional breakdown and disclosure of balances to support the primary Statements.

2. Summary of Changes Resulting from the Audit

2.1 The Audit identified two 'misstatement' that required correction. A small number of misclassifications and additional narrative disclosures were also required. The changes resulting from the Audit were as follows.

2.2 Adjusted Misstatements

2.2.1 An adjustment was required between Short Term Debtors and Impairment for Receivables of £133,000. The overall impact was neutral to the Balance Sheet.

2.2.2 Two surplus assets needed to be reclassified from Assets Held for Sale to Surplus Assets. The overall impact on the Balance sheet was neutral.

2.2.3 There were no 'unadjusted' misstatements.

2.3 Misclassifications and Disclosure Changes

One misclassification correction was made relating to the classification of individual creditors between Government Department Creditors, Local Authority Creditors and Sundry Creditors. The net impact was nil.

2.4 A small number of other disclosure changes have been made to the accounts. These changes represent less significant amendments, including:-

- changes to notes where expanded explanation has been necessary;
- ensuring disclosures comply with the Code for 2016/17;
- correcting disclosures on the Council's Defined Benefit Pension Scheme relating to contributions payable in 2017/18;
- other minor presentational adjustments to improve the quality of disclosures in the accounts.

2.5 At the time of writing the report, the external auditors are finalising their recommendations on the accounting treatment of vehicles which are acquired and owned by the Council and used for operational purposes by Ubico Ltd. This may result in some further adjustments the accounts, therefore, the Audit Findings Report (**Appendix 'A'**) and Statement of Accounts (**Appendix 'B'**) will be circulated as soon as possible, following publication of this report.

2.6 A full list of the changes made is detailed in **Appendix 'A'**.

3. The Letter of Representation

3.1 To complete the audit process, the Council is required to submit a Letter of Representation to Grant Thornton to complement the Financial Statements and to outline the areas considered in stating that the Financial Statements give a true and fair view on the accounts, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law. At the time of writing this report, the Council is still waiting for the draft letter from Grant Thornton. The draft Letter, **Appendix 'C'**, will be circulated as soon as possible.

3.2 The Chairman of the Audit Committee and the Chief Finance Officer are asked to sign the Letter of Representation on behalf of the Council. Grant Thornton are unable to issue their opinion on the accounts until they are in receipt of the Letter of Representation.

4. Early Closure of the Accounts

4.1 Local authorities are required to approve and publish their accounts by 30th June (draft) and 30th September (final). The Audit and Accounts Regulations 2015 give notice that for the 2017/18 financial year, local authorities will be required to bring-forward the completion of their draft accounts by a month, to 31st May, and by two months to 31st July for the audited Statement of Accounts.

4.2 In preparation for earlier closedown, the Finance team reviewed practices and procedures, and brought forward deadlines as a practice for 2017/18. By reducing timescales and implementing its own internal deadlines the team was able to produce the draft accounts by the beginning of June and fully expect to be able to complete the 2017/18 accounts by end of May 2018. The external audit commenced earlier, enabling the approval of the accounts in August 2017. For 2017/18, approval will be required by end of July 2018 and the date of the Committee's Meeting date will be brought forward accordingly.

4.3 A review of overall accounts production process and external audit will be carried out to capture lessons learned and to feed into planning for 2017/18.

5. Approval and Publication of the Statement of Accounts

5.1 The Committee is asked to formally approve the attached Statement of Accounts on behalf of the Council and to authorise the Chairman and the Chief Finance Officer to sign the Letter of Representation.

5.2 Once approved, a copy of the Audited Statement of Accounts will be published on the Council's Website.

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