

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>GOVERNANCE COMMITTEE</b>	<b>21 SEPTEMBER 2016</b>

Report template revised July 2012



<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>AUDITED STATEMENT OF ACCOUNTS 2015/16</b>	<b>FINANCE AND RESOURCES</b>	<b>LEE HURST</b>	<b>6</b>

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

The External Auditor has largely completed the audit of the Council's Statement of Accounts for 2015/16 and expects to issue an unqualified audit opinion on those accounts, but intends to issue a qualified Value for Money conclusion for the reasons set out in their Audit Findings Report. To comply with The Accounts and Audit (England) Regulations 2015, Committee is required to approve the audited Statement of Accounts by 30 September 2016. This can only be done after the Committee has approved the Annual Governance Statement, reported elsewhere on this agenda, which once approved must be included within the Statement of Accounts when published. Furthermore, the audit is not formally concluded until the Council has received the Audit Certificate or Audit Opinion Letter from the auditor. The auditor has indicated that they are unlikely to be able to issue this opinion before the 30<sup>th</sup> September 2016 due to the outstanding issue relating to the Annual Governance Statement.

## **RECOMMENDATIONS**

Should the Annual Governance Statement, reported elsewhere on the agenda, be approved at the Governance Committee meeting and the Audit Certificate or Audit Opinion Letter be provided by the auditor at the meeting, that the Committee:

1. consider and approve the Statement of Accounts for 2015/16 as contained at Appendix A and authorise for issue by means of their signing by the Deputy Chief Financial Officer and Chair of the Committee; and
2. authorise the Chief Financial Officer, or other such alternative appropriate officer as determined by Council, and Chair of the Committee to sign the Letter of Representation contained at Appendix B.

## **ALTERNATIVE OPTION**

3. Should Committee not approve the Annual Governance Statement (reported elsewhere on this agenda) and not be in receipt of the Audit Certificate or Audit Opinion Letter and therefore subsequently be unable to authorise the signing of the Letter of Representation or approve the audited Statement of Accounts for 2015/16, then section 10 paragraph 2 of The Accounts and Audit Regulations 2015 provides for the following:-

Where an audit of accounts has not been concluded before the date specified an authority must—

- (a) publish (which must include publication on the authority's website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this; and
- (b) publish as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit.

Therefore, Governance Committee may consider it appropriate to defer the matter of approval of the audited Statement of Accounts and signing of the Letter of Representation to a future meeting.

## **DETAILS AND REASONING**

A summary of the Main Financial Statements was presented to Committee on 29 June 2016. Members are now presented with the full audited Statement of Accounts for 2015/16. The Accounts and Audit (England) Regulations 2015 require that the statement should be approved by a meeting of members by 30 September 2016 or as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit.

The Letter of Representation, as referred to in the report from Grant Thornton, is a letter issued by an auditor's client to the auditor in writing to be used as audit evidence. Audit evidence is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. The date of the document must not be later than the date of audit work completion. It is used to let the client's management declare in writing that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of the management's knowledge. It is prepared in accordance with International Standard on Auditing (UK and Ireland) 580.

For audit evidence, it is reliable if the auditor has no other means of obtaining evidence. The person issuing the letter should have the appropriate authority or seniority in the organisation to vouch on the issue.

I draw Committee's attention particularly to paragraph xxv within the Letter of Representation included at Appendix B regarding the matter of the Annual Governance Statement.

Following consideration and approval by this Committee, the Chair should sign and date the Statement of Responsibilities with the Statement of Accounts, which should also be re-certified by the Chief Finance Officer, or such member of the Chief Finance Officer's staff as is nominated by the Chief Finance Officer for the purposes of section 114 of the Local Government Finance Act 1988 (functions of responsible officer as regards reports) usually being the Deputy Chief Finance Officer.

The Chair and the Chief Financial Officer, or other such alternative appropriate officer as determined by Council, should also sign the Letter of Representation attached as Appendix B.

Once approved the Statement of Accounts should be published. The Statement of Accounts will be published on the South Ribble Borough Council web site, [www.southribble.gov.uk](http://www.southribble.gov.uk).

## **AUDIT FINDINGS REPORT**

The key messages from the Audit Findings Report relating to the accounts are that the auditor intends to issue an unqualified audit opinion on the Accounts for 2015/16.

With particular regard to the Statement of Accounts and the significant risks of material misstatement in those accounts, the audit work has not identified any significant issue but the auditor has highlighted some weaknesses in relation to the valuation of property, plant and equipment. One internal control weakness has been identified, relating to the retention of supporting documentation for all journal entries. Resolution of these issue has been recommended through actions within the Action Plan included in the Audit Findings Report. Below is an extract of that Action Plan containing the recommendations relating specifically to the accounts along with managements responses to those recommendations.

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<b>Asset valuations</b> •The Council's asset register should be reviewed to ensure it contains the correct asset life information.  •A formal specification should be established between the Council's Shared Financial Services section and the Council's valuer to highlight the remit of the valuation exercise and which assets are required to be valued each year.	M	Shared Financials Services asset register to be reviewed and reconciled to Property Services records.*	Shared Financial Services - 31/12/2016
		M	Engagement protocol agreed between Shared Financial Services and Property Services on 27/06/2016. Remit of 2016/17 valuation exercise to be provided by Shared Financial Services during October 2016.  * Shared Financial Services to investigate the functionality and suitability of the Civica Financials Asset Management module for recording asset details and calculating associated depreciation.	Shared Financial Services – Implemented.   Shared Financial Services - 31/03/2017
Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2	<b>Journal walkthrough testing</b> •Supporting documentation should be retained to support all journal entries.	M	This matter was dealt with via pre-close down process training. Standard working practices to be reiterated to staff within Shared Financial Services.	Head of Shared Financial Services - 31/10/2016

There were no adjusted misstatements, and only one unadjusted misstatement as a result of incorrectly recorded asset lives within the Fixed Asset Register leading to an incorrectly calculated depreciation charge for the year. Details are provided in the Grant Thornton Audit Findings Report also on this agenda, but a full review of the depreciation calculation demonstrated the value not to be material to the accounts and correction would not have changed the overall financial position of the Council, therefore no adjustment was made to the accounts.

Finally, a small number of minor amendments to classification and disclosure were suggested relating to the contents of the notes to the accounts, and have been made. Once again, details are provided within the Audit Findings Report. In addition to the amendments to classification and disclosure identified in the Audit Findings Report we undertook a number of improvements to narrative text within the notes and Narrative Statement. These included; explaining and/or defining abbreviations, updating to a consistent naming convention throughout the document of all main statements, updating to a consistent rounding of numbers convention throughout the document, more detailed explanation of the revenue budget out-turn position in the Narrative Statement to better reconcile to the Movement In Reserves Statement, repositioning and resizing charts for clarity, the addition of a missing Expense subtotal of £147k in note 15b, correction to a transposition of figures in note 17 (from 4,753 to 4,573), correction to rounding of percentages in note 36h and the resulting reformatting and renumbering of all pages due to the above changes.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

<b>FINANCIAL</b>	There are no implications resulting directly from this report.		
<b>LEGAL</b>	This report is presented to comply with the Accounts & Audit Regulations (England) 2015 and various other Regulations and statutory Codes of Practice.		
<b>RISK</b>	The Statement of Accounts (SOAs) is designed to comply with the Council's statutory obligations and has been prepared in compliance with the relevant accounting standards and codes of practice.		
<b>THE IMPACT ON EQUALITY</b>	There are no implications resulting directly from this report.		
<b>OTHER (see below)</b>			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

## BACKGROUND DOCUMENTS

- Accounts and Audit (England) Regulations 2015
- Local Government Finance Act 1988, Section 114
- The Local Government and Housing Act 1989, Section 56(5)
- International Standard on Auditing (UK and Ireland) 580
- South Ribble Borough Council (unaudited) Statement of Accounts 2015/16 – Governance Committee, 29<sup>th</sup> June 2016
- Grant Thornton Audit Findings Report (separately reported on the agenda)

## APPENDICES

Appendix A	Statement of Accounts for South Ribble Borough Council for year ended 31 March 2016 (for approval and signing).
Appendix B	Letter of Representation 2015/16 (for signing).