

**5 July 2017**

**Audit Committee**

**Draft Statement of Accounts 2016/17**

**Report of:** *John Chance, Finance Director*

**Wards Affected:** *All*

**This report is:** *Public*

**1. Executive Summary**

- 1.1 This report presents the Council's Statement of Accounts for 2016/17. These accounts were presented to the External Auditors (Ernst & Young) on 23 June 2017 and signed by the Finance Director..
- 1.2 The Committee will formally approve the financial statements after the completion of the external audit.

**2. Recommendation(s)**

- 2.1 That the Draft Statement of Accounts for 2016/17 and Annual Governance Statement are reviewed.**
- 2.2 That delegate authority is given to the Finance Director in consultation with the Chair of the Audit Committee to agree any changes to the Draft Statement of Accounts 2016/17 by external audit and sign the final audited statements.**

**3. Introduction and Background**

- 3.1 The main sections in the Statement are:

**a) Narrative Report**

The purpose of the narrative report is to provide an easily understandable guide to the most significant matters reported in the accounts.

**b) Movement in Reserves Statement**

This is a summary of the movements in the financial year within the different reserves held by the Council. The reserves are analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**c) Comprehensive Income and Expenditure Statement**

This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed. The services shown are in accordance with generally accepted accounting practices.

**d) Balance Sheet**

This sets out the financial position of the Authority as the 31 March 2017. The Balance Sheet reflects the balances and reserves, and net current assets employed in all of its operations, together with summarised information on any fixed assets held.

**e) Cash Flow Statement**

This summarises the Council's cash transactions throughout the year.

**f) Notes to the Core Financial Statements including Accounting Policies**

These provide supporting analysis to the Core Financial Statements. The Accounting Policies outline the legislation and principles upon which the Statement of Accounts has been prepared.

**g) Housing Revenue Account Income and Expenditure Statement**

This reflects a statutory requirement to account separately for local council housing provision. It summarises the resources that have been generated and consumed in providing services and managing the Council's housing stock during the last year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed.

**h) Collection Fund**

The Council is required to maintain a separate Collection Fund to receive monies as a billing authority in relation to the Council Tax and National Non-Domestic Rates (Business Rates) and accounts for the distribution of Council Tax to preceptors (Essex County Council, Police & Crime Commissioner for Essex and Essex Fire Authority) and the Council's own General Fund; with the addition of the Government for Business Rates.

- 3.2 The Annual Governance Statement (AGS) is not an official part of the Statement of Accounts, but is provided as a supporting document to publish the governance arrangements in place within the Council to ensure that business is conducted in accordance with the law and proper standards and that public money is safeguarded.

**4. Issue, Options and Analysis of Options**

- 4.1 The date by which statements must be published is set down by Government Regulations. Currently it is 30 September. CIPFA has recommended that it is good practice for the accounts to be reviewed by the Committee prior to the completion of the external audit, along with the

AGS in order for Members to satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. The work could include:

- Reviewing the Narrative Report to ensure consistency with the statements and the financial challenges and risks facing the authority in the future.
- Reviewing whether the Report is readable and understandable by a lay person
- Identifying the key messages from each of the financial statements and evaluating what this means for the authority in future years.
- Monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year.
- Reviewing the suitability of accounting policies and treatments.
- Seeking assurances that preparations are in place to facilitate the external audit.

4.2 External auditors will commence the start of their audit on 26 June 2017. The duration of the audit will be approximately 6 weeks.

4.3 Upon completion of the audit, it is recommended that delegated authority is given to the Section 151 officer, to approve any changes to the Final Statement of Accounts 2016/17 by the external auditors and to sign the final audited statements.

4.4 The Committee will formally approve the final Statement of Account 2016/17 along with the Audit opinion at the next Audit Committee meeting in September 2017, prior to the published deadline of 30 September 2017.

4.5 In previous years the responsible financial officer has been required to sign the draft statement of accounts by 30 June and to publish the audited statement of accounts by 30 September. The Accounts and Audit (England) Regulations 2015 have introduced some earlier deadlines, which will apply for the 2017/18 accounts. From 2017/18 onwards, the draft accounts will need to be signed by 31 May, and the audited accounts published before 31 July.

4.6 Officers have amended relevant timetables to enable the revised published deadlines for 2017/18 Statement of Accounts to be met next year.

## **5. Reasons for Recommendation**

5.1 A system of sound financial control and governance arrangements underpins all of the services and priorities of the Council.

## **6. Consultation**

6.1 None

## **7. References to Corporate Plan**

7.1 References to the Corporate Plan are referred to in the Draft Statement of Accounts.

## **8. Implications**

### **Financial Implications**

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8.1 Financial Implications are contained in the Statement of Accounts 2016/17

### **Legal Implications**

**Name & Title: Daniel Toohey, Head of Legal Services & Monitoring Officer**

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8.2 None

## **9. Background Papers**

9.1 Agenda Item 13 – 2016/17 Provisional Outturn and Annual Treasury Management Report at 20 June 2017 Policy, Projects and Resources Committee.

## **10. Appendices to this report**

- Appendix A – Draft Statement of Accounts 2016/17

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