

Appendices 2:

1. Final Statement of Accounts (SoA)
2. Annual Governance Statement (AGS)



AUDIT COMMITTEE REPORT

Report Title	Statement of Accounts 2016/17 and Annual Governance Statement
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 September 2017
Policy Document:	No
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

- 1.1 To seek approval of the Statement of Accounts (SoA) 2016/17 (Appendix 1) and note the Annual Governance Statement (AGS) (Appendix 2).

2. Recommendations

- 2.1 That the Audit Committee approves the SoA 2016/17.
- 2.2 That the Audit Committee acknowledges the AGS signed by the Leader and Chief Executive.
- 2.3 That if there are amendments to the SoA required before the 30th September following finalisation of the external audit work that the Audit Committee delegates to the Chair of Audit Committee to sign them in consultation with the statutory S151 Chief Finance Officer (CFO), with any changes reported back to the next Audit Committee.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council has produced its SoA in line with the statutory timescales and it has now been subject to external audit by KPMG. The CFO is satisfied that

following audit recommendations for agreed changes the SoA present fairly the financial position of the Council at 31 March 2017.

3.2 Key Changes from the draft financial statements

- 3.2.1 As part of the external audit there have been a number of material items identified which have been amended in the final statements, which are explained in the following paragraphs.
- 3.2.2 Valuation of Council Houses - this relates to the discount rate applied to the valuation of council houses. The Council's external valuers had reached a view that the Department of Communities and Local Government (DCLG) guidance rate for the East Midlands region is not the most appropriate for Northampton given it is on the edge of the region and its proximity to London particularly with its good transport links. However following extensive discussions with the External Auditors and their valuers it was agreed that the authority would revert back to the DCLG guidance rate in 2016/17. It is planned to reassess this position in producing the 2017/18 accounts jointly discussing more detailed evidence with the auditors before arriving at an appropriate judgement on the discount rate to apply.
- 3.2.3 Other Land and Buildings – following discussions between the Council's valuers and KPMG valuers there have been some changes made to asset values to reflect the cost of purchase, and currently the Council has adopted a prudent view to ensure the assets are not over valued in the balance sheet. This will be an area the internal asset team will focus on in preparing the 2017/18 accounts to reach an early agreement with the external auditors.
- 3.2.4 The narrative statement which is essentially a report from the management of the organisation on the performance of the council and key financial plans for the future has been amended to include the final performance management information and following recommendations from the external auditors.
- 3.2.5 Following the resignation of the Chief Executive in July 2017, a short paragraph relating to this has been included in the post balance sheet event section of the notes to the accounts.
- 3.2.6 Also on further review and quality assurance of the draft accounts there have been presentational amendments and the inclusion of additional notes to the accounts in respect of the Expenditure and Funding Analysis and the Cash Flow Statement.

3.3 External Audit Update

- 3.3.1 External audit have substantially completed their audit work on the financial statements and their ISA260 report to those charged with governance is a separate report on this agenda.
- 3.3.2 The external auditors anticipate being able to issue their audit opinion and sign-off the accounts to meet the statutory deadline of 30th September.

3.4 2015/16 ISA260 Recommendations

3.4.1 There were 9 recommendations from the 2015/16 ISA Report, two brought forward from 2014/15 and one included as part of the 2016/17 Interim Audit Report. The authority identified a total of 43 actions to work on in response to these recommendations and 3 of these remain outstanding as reported to the Audit Committee in early September.

3.5 Annual Governance Statement (AGS)

3.5.1 Under the Accounts and Audit Regulations 2011 the Annual Governance Statement must accompany the Statement of Accounts, and a final version signed on 18th August 2017 by the Borough Secretary and the Leader of the Council is included as appendix 2 to this report, and is published on the Council's internet page.

3.5.2 On the first page of the AGS is the Statement of Compliance, which explains how the council complies with the CIPFA Statement on the Role of the CFO. Due to the partnership with LGSS there are a few small functions that are not directly overseen by the CFO. These variations from the CIPFA Statement and how they are addressed instead are explained in the Statement of Compliance section of the draft AGS.

3.5.3 The statement has been shared with the external auditors as part of their audit work, no audit issues were raised on the AGS.

3.6 Choices (Options)

3.6.1 The Committee may choose not to approve the Accounts; this would result in the Council not meeting its statutory responsibilities.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There are no direct financial implications arising from this report. The SoA reports on the financial position for 2016/17.

4.3 Legal

4.3.1 There are no legal implications arising from this report.

4.4 Equality

4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Management Board has been consulted on the Statement of Accounts and AGS.

4.5.2 The Draft Statement of Accounts, accompanied by the AGS, has undergone public inspection and external audit.

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

5.1 The Accounts were prepared in line with IFRS requirements and relevant legislation, predominantly:

- Accounts and Audit Regulation 2011
- The Code of Practice on Local Authority Accounting 2016/17
- The CIPFA Statement on the Role of the Chief Finance Officer

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