

## Appendices

A – Draft  
2016/17 Statement of  
Accounts  
B – Draft Annual  
Governance  
Statement



# AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Draft Statement of Accounts 2016/17 and Draft Annual Governance Statement</b>
---------------------	--

**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	3 July 2017
<b>Policy Document:</b>	No
<b>Directorate:</b>	Management Board
<b>Accountable Cabinet Member:</b>	Cllr Brandon Eldred

## 1. Purpose

---

1.1 To present the draft Statement of Accounts (SoA) 2016/17 and draft Annual Governance Statement (AGS).

## 2. Recommendations

---

2.1 That the Audit Committee notes the draft SoA 2016/17 and draft AGS.

## 3. Issues and Choices

---

### 3.1 Report Background

3.1.1 The SoA 2016/17 will be undergoing both external audit and public inspection during July and August in line with the Accounts and Audit Regulations, and is being brought to Audit Committee now to provide an opportunity to review and comment on them before they are finalised and brought to this committee for approval in September 2017.

3.1.2 The Council is producing its draft SoA in line with the statutory timescales, in order for them to be signed by the Chief Finance Officer (CFO) – Section 151 Officer by the statutory deadline of the end of June 2017. The CFO is satisfied that the pre-audit SoA present fairly the financial position of the Council at 31 March 2017.

- 3.1.3 Any material changes arising from the audit of the 2016/17 accounts will be reported back to the September meeting of the Audit Committee, prior to approval.
- 3.1.4 It should be noted that from 2017/18 the Accounts and Audit Regulations are changing to bring about earlier closedown and audit reporting deadlines for Local Authorities. For 2017/18 the Draft Accounts will be required to be signed off by the Section 151 Officer by 31 May (1 month earlier) and the Audited Statement of Accounts are to be completed by 31 July (2 months earlier). Work is being undertaken with finance colleagues across all LGSS authorities to identify the opportunities to either change or enhance processes to meet these earlier deadlines.

## **3.2 Statement of Accounts 2016-17**

3.2.1 The Statement of Accounts are comprised of:

- The Narrative Statement;
- Statement of Responsibilities;
- The Core Financial Statements:
  - Comprehensive Income and Expenditure Statement (CIES)
  - Balance Sheet
  - Movement in Reserves Statement (MIRS)
  - Cash Flow Statement
  - Expenditure and Funding Analysis (EFA)
- Notes to the Core Financial Statements.
- Accounting Policies
- Group Accounts
- Glossary

3.2.2 The Narrative Statement is required by the Code and provides a summary of the most significant matters reported within the accounts, and of the Council's financial position. It is intended to outline the overall context within which the Council is operating by providing commentary on the Council's priorities, its performance in 2016/17 and the inclusion of a summary of the medium-term outlook.

3.2.3 There is however a significant change in the presentation of the Comprehensive Income and Expenditure Statement (CIES) being introduced in 2016/17. The CIES shows revenue expenditure and income for the year, in line with proper accounting practice. Previous editions of the Code had required the Net of Cost of Services within the CIES to be broken down in to particular service headings prescribed by CIPFA (referred to as SeRCOP headings). This was to ensure that all authorities presented their statements in the same way, and to allow comparability between authorities. Whilst this allowed comparability from one authority to another it meant that the link between the Council's monthly financial reporting (management accounts) and the statutory accounts was difficult to follow, because the management accounts are set out with the Council's internal Directorate structure and the accounts are set out based on SeRCOP headings.

3.2.4 The change to the Code for 2016/17 allows the Authority to display the Net Cost of Services within the CIES based upon its internal reporting structure

rather than using SeRCOP headings. This means that the link between the management accounts and the statement of accounts position should be easier for the reader of the accounts to follow.

3.2.5 Another change in the 2016/17 Code is the introduction of a new disclosure in the accounts called the Expenditure and Funding Analysis (EFA). This partly replaces the segmental analysis shown in previous accounts. This statement and the accompanying disclosure notes are intended to provide a reconciliation between the budget monitoring outturn position shown in the management accounts and the accounting position shown in the CIES.

### 3.3 Group Accounts

3.3.1 In addition to the Council's single entity accounts outlined above the Council is required to prepare Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates, and / or joint ventures. The Group Accounts reflect the activity of any such arrangements where appropriate to do so in addition to the council's 'single entity' accounts.

3.3.2 The Council's Group Accounts consolidated the accounts of Northampton Partnership Homes.

3.3.3 The Group Accounts are prepared in accordance with the CIPFA Code of Practice, and comprise the following:

- Group Comprehensive Income and Expenditure Statement;
- Group Balance Sheet;
- Group Cash Flow Statement;
- Group Movement in Reserves Statement;
- Notes to the Group Accounts.

### 3.4 Financial Position

3.4.1 The Core Statements show very small net increases to general fund and HRA working balances after taking account of technical adjustments and transfers to reserves.

3.4.2 The level of General Fund and HRA working balances at 31 March 2017 are shown below.

Reserve	Amount (£m) 31 March 2017	Amount (£m) 31 March 2016
General Fund working balance	5.500	5,470
HRA working balance	5.001	5.000

### 3.5 Draft Annual Governance Statement (AGS)

3.5.1 Under the Accounts and Audit Regulations 2015 regulation 6(b) the Council is required to publish an Annual Governance Statement. A draft version is included as an appendix to this report as evidence of the governance in place within the organisation, which includes financial governance.

- 3.5.2 A key improvement has been the development and implementation of a governance action plan during 2016/17. This continues to be a focus for the Council and is incorporated within the draft AGS which refers to the Council's more rigorous approach to governance within the organisation.
- 3.5.3 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 Chief Finance Officer.

### **3.6 Next Steps**

- 3.6.1 The public inspection period, when members of the public can come and inspect the accounts will commence on 30<sup>th</sup> June for 30 working days which is an increased requirement from 20 days in previous years, and is due to end on 11<sup>th</sup> August 2017. The public can also ask questions of the auditor during the inspection period.
- 3.6.2 The external auditors are scheduled to commence their final accounts audit work on 10<sup>th</sup> July, and plan to complete it during August. They are timetabled to provide their draft audit opinion and ISA260 report for management comment in time for the final SoA to be brought to Audit Committee on 11<sup>th</sup> September 2017 for committee to approve and sign the final SoA. The external auditors will then be looking to finalise their quality assurance work to enable them to provide their final signed audit opinion to meet the statutory deadline of 30<sup>th</sup> September, when the accounts will be formally published.

### **3.7 Choices (Options)**

- 3.7.1 The report is only for noting, however the Committee may propose amendments to the draft SoA, for example to the narrative in the Explanatory Foreword.
- 3.7.2 The Committee may have questions or comments on the draft Accounts or Annual Governance Statement.

## **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 draft SoA and AGS.
- 4.5.2 The SoA, accompanied by the draft AGS, is currently undergoing 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 draft Accounts were prepared in line with IFRS requirements and relevant legislation, predominantly:
  - 5.1.1 Accounts and Audit Regulations 2015
  - 5.1.2 The Code of Practice on Local Authority Accounting 2016/17
  - 5.1.3 The CIPFA Statement on the Role of the Chief Finance Officer

**Glenn Hammons**  
**Chief Finance Officer, Telephone 01604 366521**

**Jon Lee**  
**Head of Integrated Finance Services - LGSS**