

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE – 10 OCTOBER 2018

Title of report	ANNUAL STATEMENT OF ACCOUNTS 2017/18
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Purpose of report	For the Committee to consider and approve the Annual Statement of Accounts for 2017/18.
Reason for Decision	To comply with the Accounts and Audit Regulations
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	The presentation of audited accounts giving a true and fair view assists in maintaining the council's financial standing and reputation.
Equalities Impact Screening	No impact.
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	External Auditors (KPMG)
Background papers	<p>Working papers held in the Financial Planning section.</p> <p>Statement of Accounts 2017/18 (unaudited) - https://www.nwleics.gov.uk/files/documents/statement_of_accounts_2017_18/Statement%20of%20Accounts%202017-18%20310518.pdf</p> <p>Public Audit Notice 2017/18 - https://www.nwleics.gov.uk/files/documents/public_audit_notice_2017_18/Public%20Audit%20Notice%202017%2018.pdf</p>

Recommendations	<p>(A) THAT THE COMMITTEE APPROVES THE ANNUAL STATEMENT OF ACCOUNTS</p> <p>(B) THAT THE CHAIRMAN OF THE MEETING IS AUTHORISED TO SIGN THE ACCOUNTS AS APPROVED</p> <p>(C) TO DELEGATE AUTHORITY TO THE COMMITTEE CHAIRMAN AND SECTION 151 OFFICER TO APPROVE ANY MINOR NON MATERIAL AMENDMENTS, AS AGREED WITH THE AUDITOR, TO THE ACCOUNTS ON BEHALF OF THE COMMITTEE</p>
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1.0 BACKGROUND

- 1.1 The unaudited accounts were signed off by the Head of Finance and Section 151 Officer on 31 May 2018 in line with statutory requirements. The final audited version of the Statements were due for approval by 31 July 2018 (in line with statutory requirements) however, due to the identification of technical accounting issues relating to the valuation of property (which were identified following the publication of draft accounts) the program for the production of the final and audited Statement of Accounts was delayed. These technical capital accounting issues relate to the valuation of property, and do not affect the Housing Revenue Account (or the General Fund) or the amount of useable reserves we hold.
- 1.2 Due to the ongoing external audit of the 2017/18 Statement of Accounts and the requirement for the external audit team and the finance team to finalise findings in respect of the technical capital accounting issues, the final version has not been published with the agenda pack for this meeting. It is anticipated that the Statement of Accounts circulated prior to the Audit and Governance Committee meeting on 10 October 2018 will be the final version without further changes being presented for approval.
- 1.3 The balance sheet position of the council remains stable and healthy, with an increase in net assets of £25m in 2017/18 compared with 2016/17.
- 1.4 The Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority's finances.
- 1.5 The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit Regulations to 'present a true and fair view' of the financial position of the authority.
- 1.6 The Code is based on International Financial Reporting Standards ('IFRS'), amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance regarding the layout of the accounts is effectively prescribed and contains:
- Narratives – this sets out to give the reader an understanding of North West Leicestershire as a place, the council and its priorities, the wider economic background and the non-financial and financial performance of the council in 2017/18
 - Statement of Responsibilities – shows the responsibilities of the Council and Chief Financial Officer for these accounts

- Comprehensive Income & Expenditure Account (I&E) – costs of all functions and how they were financed
- Movement in Reserves Statement – shows the movement in reserves during the year between usable and unusable reserves, and the actual change to the reserves after all adjustments.
- Balance Sheet – shows all the Council’s assets and liabilities at the year end, both long and short term.
- Cash Flow Statement – sets out the flow of cash into and out of the Council.
- Notes to the Financial Statements – these explain in more detail the make up of the various amounts included in the above items
- Accounting Policies – technical explanation of main policies and assumptions used in preparing the accounts.
- HRA (Housing Revenue Account) Income & Expenditure Account – this shows income and expenditure regarding Council dwellings.
- Collection Fund – sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known.
- Special Expenses Accounts – summarises spending in the special expenses areas of the district with details of how this is paid for.
- Auditor’s Report – this is the report of the external auditors, the Audit Commission, on the accounts for the year.

1.7 The Statements must comply with the Code so that comparisons can be made across different authorities and for this reason it is essential that authorities define individual costs in line with the Service Reporting Code of Practice (SERCOP). There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

2.0 RESTATEMENT IN RESPECT OF THE COUNCIL’S HOUSING ASSETS

2.1 Members will recall that as part of the audit of the 2016/17 accounts and issued auditor’s report, a commitment was made by the former Financial Planning Team Manager and Acting Section 151 Officer (now Head of Finance and Section 151 Officer) to undertake a review of the councils capital position prior to the publication of the 2017/18 draft accounts. The commitment was made in response to there being recurrent issues identified by the external audit team in respect of capital accounting in the audit of the accounts of the 2014/15 – 2016/17 financial years.

2.2 Following this, an independent high level review of capital accounting of HRA properties at North West Leicestershire District Council was commissioned. The review concluded with the identification of a likely material technical error in respect of the council’s capital and valuation accounting for HRA properties.

2.3 Given the materiality and timing of identification of the technical issue, the Head of Finance and Section 151 Officer agreed with the Council’s external auditors, KPMG LLP, and the Council’s Leader, Chief Executive, Corporate Portfolio Holder and Audit and Governance Committee Chair to delay the publication of the final and audited accounts due to the time required to remedy the accounts.

2.4 The position presented in the council’s final accounts includes the restatement of the Council’s Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, HRA Accounts and Notes and other relevant Notes, including an additional note to detail the reasons for the prior period adjustment (Note 39).

- 2.5 The Accounting Policy in respect of depreciation has also been amended to reflect the council's approach.

3.0 OTHER CHANGES TO ACCOUNTS

- 3.1 There are a small number of adjustments made to the accounts. They relate mainly to presentational issues and will ensure that the Council complies with technical accounting regulations, specifically CIPFA's Code of Practice on Local Authority Accounting. Changes to the accounts as agreed with external audit include:

- Changes to the narrative report in respect of the amounts of Council Tax and Business Rates collected and retained by the Authority.
- Placement of the Expenditure and Funding Analysis Statement so that it is presented as a note rather than a 'Core Statement'.
- Presentational updates within the narrative report
- Presentational updates within the Notes
- Removal of 2016/17 comparative figures for Heritage Assets (note 12) to recognise that these assets were identified and brought onto the council's Balance Sheet in 2017/18.
- Removal of table within Note 13 and updated with narrative to state that the council does not hold any Assets Held for Sale
- Changes to Note 26 to align the presentation of information with the CIPFA Code
- Changes to Note 27 in respect of the presentation of audit fees
- Update to Accounting Policies to include detail in respect of the issuance of IFRS 16 and the anticipated effect that this will have on the council's accounts in 2018/19.
- Changes to the Collection Fund Statement and correction of error in respect of Business rates appeals and total business rates collected
- Updates to Note 35 to correct errors in the values of respect of financial instruments
- Corrections to the HRA note H3 in respect of the vacant possession value and note H4 in respect of omitted wording.

- 3.2 It is recommended to delegate authority to approve any minor non-material amendments as agreed to the Head of Finance and Section 151 Officer in liaison with the Committee Chairman.