

Crawley Borough Council

Report to Audit Committee

23 July 2019

Approval of the 2018/19 Statement of Accounts

Report of the Head of Corporate Finance (FIN/477)

1. Purpose

- 1.1 The purpose of this report is to seek member approval of 2018/19 Statement of Accounts and to comply with the statutory deadline of 31 July 2019.

2. Recommendations

- 2.1 It is recommended that:
- a) The 2018/19 Statement of Accounts be approved
 - b) The Committee approve the rationale why the unadjusted audit difference has not been corrected.
 - c) The Chair of the Audit Committee be authorised to sign the 2018/19 Letter of Representation.
 - d) The Chair of the Audit Committee be authorised to sign the 2018/19 Statement of Accounts on behalf of the Council.

3. Reason for the Recommendations

- 3.1 The Council has a statutory responsibility to approve the statement of accounts by 31 July.

4. Background

- 4.1 The Accounts and Audit Regulations 2015 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the statement of accounts to be approved by a resolution of a Committee and for the Chair to sign the accounts. The latest date for approval is 31 July 2019.
- 4.2 To enable the accounts to be signed by the due date and to encourage a robust review of the accounts, Full Council has delegated the approval to this Committee.
- 4.3 This report deals with the Council's accounts as published in the required statutory format. The focus of the report is on recording all the assets and liabilities of the Council rather than a comparison with the original budget plans for the year. A summary of the outturn for 2018/2019 comparing actual expenditure against approved budgets was considered by Cabinet in June.

5. Narrative Statement

- 5.1 The Narrative Statement is attached as Appendix B. The Narrative Statement, Statement of Accounts, and the Annual Governance Statement are shown as separate documents.
- 5.2 The narrative statement includes a brief explanation of the financial statements (see Section 7).

6. Statement of Accounts 2018/19

- 6.1 The 2018/2019 Statement of Accounts is attached as Appendix C.
- 6.2 As last year, the Comprehensive Income and Expenditure Statement is now prepared on the same basis as the Council is organised – so the services breakdown is on a Portfolio basis. The Expenditure and Funding Analysis links the Outturn report to the Comprehensive Income and Expenditure Statement.
- 6.3 The statement of accounts is a very technical document and is not easy to understand. The main points from the accounts are set out below:
- 6.4 The Movement in Reserves Statement shows a decrease in the General Fund balance (inclusive of Earmarked Reserves) of £0.3 million (page 9). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have decreased during the year from £101.9 million to £92.8 million. The main reason for this is the capital programme on the HRA and the building of new council dwellings.
- 6.5 The Balance Sheet (pages 11-12) shows that the Council's total assets less liabilities have remained broadly the same at £664.1 million. Whilst assets have increased, there has been an equal movement in the pension liability.
- 6.6 An explanatory document "Understanding Local Authority Financial Statements" in Appendix E aims to give Members and other stakeholders an introduction to the format of the accounts.

7. Unadjusted Audit Difference

- 7.1 The Audit Results Report shows a net unadjusted audit difference of £391,000. This relates to an overstatement of pension scheme liabilities of £543,000 and an overstatement of the value of 1field playing fields of £152,000.
- 7.2 The audit difference is below the materiality level for the Council, and management do not consider it necessary to amend the Statement of Accounts for the following reason:
- It only affects the Balance Sheet and the Unusable Reserves of the Council, and does not impact on the previously reported outturn.

8. Annual Governance Statement

- 8.1 The Accounts and Audit Regulations 2015 establish requirements relating to systems of internal control, and the review and reporting of those systems.

Internal control and risk management are recognised as important elements of good corporate governance. The regulations state that:

“A relevant authority must ensure that it has a sound system of internal control which—

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
- (b) ensures that the financial and operational management of the authority is effective; and*
- (c) includes effective arrangements for the management of risk.”*

- 8.2 The Council is required to produce an Annual Governance Statement in line with guidance contained in the CIPFA/SOLACE document “Delivering Good Governance in Local Government”. Details of the 2018/2019 review are set out in Appendix D. The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

9. Audit of Accounts for 2018/2019

- 9.1 The audit of the accounts commenced in June. The work is due to be completed by 31 July. As stated in Ernst & Young’s Audit Results Report (elsewhere on the agenda) no substantial issues have emerged as a result of the audit.

10. Letter of Representation

- 10.1 The Letter of Representation (Appendix A) are the assurances made by management and members to the auditors that all information pertinent to the audit has been made available to them.

11. Background Papers

- 1. Accounts and Audit Regulations 2015
- 3. of Practice on Local Authority Accounting in the UK 2018/2019 (Chartered Institute of Public and Accountancy)
- 4. Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)

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