

Crawley Borough Council

Report to Audit Committee 25 July 2018

Approval of the 2017/18 Statement of Accounts

Report of the Head of Finance, Revenues and Benefits (*FIN/445*)

1. Purpose

- 1.1 The purpose of this report is to seek Councillor approval of 2017/18 Statement of Accounts and to comply with the statutory deadline of 31 July 2018.

2. Recommendations

- 2.1 It is recommended that
- a) the 2017/18 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 Committee be authorised to sign the 2017/18 Letter of Representation
 - d) the Chair of the Committee be authorised to sign the 2017/18 Statement of Accounts on behalf of the Council

3. Reasons 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 2018.
- 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 2017/2018 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 pages 20 to 21).

6. Statement of Accounts 2017/18

- 6.1 The 2017/2018 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 £0.2 million (page 8). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have decreased during the year from £102.3 million to £101.9 million.
- 6.5 The Balance Sheet (pages 10 - 11) shows that the Council's total assets less liabilities have increased by £32.7 million to £664.5 million. The main reason for this is the revaluations of fixed assets of £24.5 million and a reduction in the pension liability of £8.6 million.
- 6.6 An explanatory document "Understanding Local Authority Financial Statements" in Appendix E aims to give Councillors and other stakeholders an introduction to the format of the accounts.

7. Unadjusted Audit Difference

- 7.1 The Audit Results Report shows an unadjusted audit difference of £2,185,576 that relates to the pension liability disclosed in the Balance Sheet. This error was identified by the auditors of the West Sussex County Council Pension Scheme and is due to the actuary's estimate of the pension scheme assets being £33.4m short of the actual value, of which, the Council's share is approximately £2,185,576.
- 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 reasons:
 - It only affects the Balance Sheet and the Unusable Reserves of the Council, and does not impact on the previously reported outturn.

- To revise the accounts, it would be necessary to request a revised report from the actuary and additional audit testing would be required. This would come at additional cost to the Council and would cause delays in publishing the Statement of Accounts.

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 2017/2018 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 2017/2018

- 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 Councillors to the auditors that all information pertinent to the audit has been made available to them.

11. Background Papers

[Financial Outturn 2017/18 – Report to Cabinet 27/06/2018 \(FIN/443\)](#)

The Accounts and Audit Regulations 2015

Code of Practice on Local Authority Accounting in the UK 2017/2018

(Chartered Institute of Public Finance and Accountancy)

Guidance Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)

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