

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 7TH SEPTEMBER 2016

SUBJECT OF REPORT: STATEMENT OF ACCOUNTS 2015/16

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: MALCOLM COE, HEAD OF FINANCE AND PROPERTY

KEY DECISION: YES

RECOMMENDATIONS

1. The Audit Committee are requested to:
 - i. consider the matters raised in the Annual Governance Statement;
 - ii. take note of any adjustments to the financial statements set out in the external auditors report;
 - iii. approve the letter of representation; and
 - iv. agree the Committee's response to the proposed action plan.

2. That subject to any comments under 1 above, the Audit Committee recommends to Council:
 - i. to approve the Statement of Accounts for 2015/16
 - ii. that the Chairman of the Council and the Chief Finance Officer sign the Council's Statement of Accounts for 2015/16 as representing a 'true and fair view' of the financial position of the Council as at 31 March 2016
 - iii. that the Leader of the Council and the Chief Executive Officer formally approve the Council's Annual Governance Statement as part of the financial statements and sign accordingly.

1. SUMMARY OF REPORT

Statement of Accounts

The Council's draft Statutory Statement of Accounts was prepared and approved ready for audit by the Head of Finance and Property on 21 June 2016. The Accounts have now been audited and are being presented to Audit Committee for review prior to formal approval by Council on 27 September 2016.

The Accounts and Audit Regulations require the accounts to be formally approved and published by 30 September 2016. The revised Statement of Accounts for 2015/16 is attached at Appendix A.

Annual Governance Statement

The Annual Governance Statement (AGS) is required by the Accounts and Audit Regulations 2015 to be published with the Council's Statement of Accounts and to be formally approved and signed by the Leader of the Council and the Chief Executive.

The AGS for 2015/16 has been completed in accordance with the framework previously agreed by the Audit Committee. There is one significant issue identified this year and the Statement continues to reflect the current position at September 2016.

2. POLICY

The preparation and publication of an Annual Governance Statement is in accordance with the "Delivering Good Governance in Local Government" framework introduced by CIPFA SOLACE during 2007, and updated in 2012. The Statement explains how North Somerset Council has complied with the Local Code of Corporate Governance which arises from the CIPFA framework and also meets the requirements of:

- The Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, specifically Regulation 4 in respect of the preparation and publication of a Statement of Internal Control; and
- The Accounts and Audit (England) Regulations 2015, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (3) in respect of the preparation and publication of an Annual Governance Statement.

These regulations require authorities to "conduct a review at least once a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices". Regulation 4 requires the findings of the review of the system of internal control to be considered by a Committee of the relevant body, or by its members of the body meeting as a whole, at North Somerset Council, this function is the responsibility of the Audit Committee.

3. DETAILS

Statement of Accounts

The draft Statement of Accounts 2015/16 was approved by the Head of Finance and Property and published on the Council's website on 21 June 2016, which was earlier than the requirement to publish by 30 June 2016.

The Accounts and Audit Regulations require the audited Statement of Accounts to be approved by the Council by 30 September 2016.

Since June the Council's External Auditor's, Grant Thornton, have undertaken their review and prepared their Audit Findings Report (ISA 260 Report), which includes the outcome on the annual accounts audit and an action plan to address key audit issues. This report is being presented to this meeting.

The revised Statement of Accounts for 2015/16, following the audit process, is attached at Appendix A and subject to approval by the Audit Committee will be presented to full Council at the meeting on 27 September 2016.

As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. This letter may be signed by the Head of Finance and Property and the Chair of Audit Committee and is attached at Appendix B.

The Accounts have been produced in line with the CIPFA Code of Practice for 2015/16. The auditor has outlined in the ISA 260 report being presented to this Committee that he is satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2015/16 (The Code).

Changes to the 2015/16 Code of Practice

The Code is updated annually to reflect new or updated accounting standards and in 2015/16 there were two significant changes, these being;

- the adoption of IFRS 13, the measurement of Fair Values, and
- the replacement of the Explanatory Foreword with the Narrative Statement

The Code now includes the Fair Value Framework with regards to the calculation and measurement of Fair Values and also provides a requirement for additional disclosures of financial and non-current assets and liabilities.

The new Narrative Statement replaces the previous Explanatory Foreword and its aim is to provide readers with a much broader understanding of North Somerset Council, its operating environment, and all of the key issues which affect the Council and its financial position. Although the Code does prescribe specific information requirements, the structure of the Narrative Statement is less regimented and allows councils more choice to inform readers as they choose.

Annual Governance Statement

In accordance with the framework agreed by the Audit Committee, the Head of Audit West has led on the collation and co-ordination of information relating to the preparation of the draft Statement and gathering of evidence to support any statement made within the Statement.

The Audit Committee received an AGS review update in March 2016 prior to inclusion within the draft statement in June 2015.

The Council's final Annual Governance Statement has been published within the Statement of Accounts and is a declaration of assurance, its aim is to report the extent to which the Council has in place reliable controls that will safeguard its resources and ensure that these are being used to meet priorities and service objectives agreed by Members.

No new significant governance failures or control issues have been identified during this year which satisfy the recommended criteria. However it is felt that the scale of the financial challenge which has faced the local government sector over recent years and will continue to do so for the immediate future merited specific inclusion as an issue. This is due to the impact that this challenge has had over all Council activities and the severe pressure on council budgets that continues to be felt into this current year. The Statement sets out in more detail the high level actions that the council is taking to continue to tackle this significant issue.

5. CONSULTATION

As detailed in the body of the report, the Accounts were made available for inspection to members of the public, in line with statutory requirements.

Senior officers of the council have been involved with the formulation of the AGS, and members of the audit committee have been continually updated, with process as well as outcomes and findings.

6. FINANCIAL IMPLICATIONS

Financial implications are detailed throughout the Statement of Accounts.

7. RISK MANAGEMENT

Risk implications are contained throughout the Annual Governance Statement. Failure to comply would result in non-compliance of Statutory Legislation and leave the council open to criticism by external audit.

8. EQUALITY IMPLICATIONS

None

9. CORPORATE IMPLICATIONS

Although the production of an Annual Governance Statement is a statutory requirement of the Accounts and Audit (Amendment) (England) Regulations, the responsibility for

securing effective governance, internal control and risk management arrangements rests with all senior officers and members of the Council, and not with auditors and finance staff alone.

The Council's external auditor will have to take a view on whether any significant governance or internal control weakness identified by the AGS, and the action being taken to remedy them, are a proper reflection of the Council's governance and internal control arrangements, and that no material weaknesses have been omitted.

10. OPTIONS CONSIDERED

None. The accounts are produced in line with statutory legislation.

AUTHOR

Malcolm Coe
Head of Finance and Property

malcolm.coe@n-somerset.gov.uk

Tel: 01934 634619

BACKGROUND PAPERS

NSC Statement of Accounts 2015/16

APPENDICES

App A Revised Statement of Accounts 2015/16, including amendments and audit opinion

App B Draft Letter of Representation

Date: 27 September 2016
My ref: KM/MW_300816
Your ref:
Contact: Kathryn Morris
Direct dial: 01275 884037
Email: Kathryn.morris@n-somerset.gov.uk

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

Dear Sirs

North Somerset Council
Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with the audit of the financial statements of North Somerset Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- vii. Except as disclosed in the financial statements:
 - a) there are no unrecorded liabilities, actual or contingent
 - b) none of the assets of the Council has been assigned, pledged or mortgaged
 - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached at Appendix 1. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv. We have provided you with:
 - a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b) additional information that you have requested from us for the purpose of your audit; and
 - c) unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
 - a) management;
 - b) employees who have significant roles in internal control; or
 - c) others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Statement

- xxv. The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter was minuted by full Council at its meeting on 27 September 2016.

Signed on behalf of North Somerset Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 7 September 2016.

Malcolm Coe
Head of Finance and Property
27 September 2016

Cllr Crockford-Hawley
Chairman of the Audit Committee
27 September 2016