

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 26 JULY 2018

SUBJECT OF REPORT: STATEMENT OF ACCOUNTS 2017/18

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: MELANIE WATTS, HEAD OF CORPORATE ACCOUNTANCY

KEY DECISION: N/A

RECOMMENDATIONS

- 1) The Audit Committee is requested to:
 - a) consider the matter(s) raised in the Annual Governance Statement;
 - b) take note of any adjustments to the financial statements set out in the external auditors report;
 - c) approve the letter of representation; and
- 2) That subject to any comments under 1 above, the Audit Committee:
 - a) approves the Statement of Accounts for 2017/18;
 - b) arrange for the Chair of the council's Audit Committee and the Chief Financial Officer to sign the Accounts for 2017/18 as representing a 'true and fair view' of the financial position as at 31 March 2018; and
 - c) arrange for the Leader of the Council and the Chief Executive Officer to formally approve the council's Annual Governance Statement as part of the financial accounts 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 30 May 2018. The Accounts have now been audited and are being presented to Audit Committee for formal approval. The Accounts and Audit Regulations require the accounts to be formally approved and published by 31 July 2018. The revised Statement of Accounts for 2017/18 are 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 2017/18 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 July 2018.

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

3.1 The draft Statement of Accounts for 2017/18 was approved by the Head of Finance and Property and published on the council's website on 30 May 2018, which is in line with the requirement for publication by 31 May 2018.

In accordance with the changes implemented last year it is now the responsibility of the Audit Committee to both consider the draft Accounts in detail and also approve the audited Accounts as part of their governance role.

3.2 Since the draft Accounts were presented for audit in May, the Council's external auditors', Grant Thornton, have undertaken their review and prepared their Audit Findings Report (ISA 260 Report). This report summarises the outcome on the annual accounts audit and is being presented to this meeting.

The Accounts have been produced in line with the CIPFA Code of Practice for 2017/18. 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 2017/18 (The Code).

3.3 The revised Statement of Accounts for 2017/18, following the audit process, is attached at **Appendix A**. Several minor amendments have been incorporated into the document although these are minor in nature and aim to improve the clarity of messaging or enhance disclosures.

3.4 As part of the completion of the audit, and prior to the issue of the audit certificate by the auditors, the Audit Committee is required to consider and sign a formal letter of representation, and to submit this to the auditor. This letter should be signed by the Head of Finance and Property and the Chair of Audit Committee, and is attached at **Appendix B**.

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 2018, prior to inclusion within the draft statement in May 2018.

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, as in the previous year, 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 on-going 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.

4. 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.

5. FINANCIAL IMPLICATIONS

Financial implications are contained throughout the Statement of Accounts.

6. LEGAL POWERS AND IMPLICATIONS

The annual Accounts and the Governance Statement have been prepared in accordance with all relevant legislation, which is detailed throughout the report.

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. The Accounts and AGS have been prepared in line with statutory legislation.

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 and AGS have been prepared in line with statutory legislation.

AUTHOR

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BACKGROUND PAPERS

NSC Statement of Accounts 2017/18

APPENDICES

App A Revised Statement of Accounts 2017/18, incl amendments and audit opinion
App B Draft Letter of Representation 2017/18