Committee:	Governance, Audit and Performance Committee	**Date:**
Title:	Statement of Accounts – 2017/18	Thursday, 26 July 2018
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Summary

1. The Statement of Accounts for 2017/18 has been subject to a full audit process and has received an unqualified opinion for the 10th consecutive year.
2. The Statement of Accounts includes a new section in 2017/18 which details the consolidated group accounts, relating to the councils investment in Aspire (CRP) Ltd.
3. The audit opinion also states that the council has adequate arrangements in place to ensure future financial resilience and is efficient and effective in its use of resources, maintaining its 'Value for Money' status for the 8th year.
4. This was the first year where the deadline of 31 May for all Local Authorities to publish draft accounts became a statutory requirement; the council has achieved this deadline for the previous 2 years and published the 2017/18 accounts on the 25 May this year.
5. The approval of the accounts should be considered in the context of the External Auditor's findings, as set out in their report in agenda item 3.
6. The Council is required to issue a Letter of Representation to the External Auditor. The Committee is required to consider and approve the wording of this Letter, attached as Appendix A to this report.
7. Both of the following documents require to be formally signed off at this meeting
    - Letter of Representation and the Statement of Accounts – by the Section 151 Officer and the Chairman of the Governance, Audit and Performance Committee.
    - Annual Governance Statement (which forms part of the Statement of Accounts) – by the Chief Executive and the Leader of the Council

Recommendations

8. The Committee is recommended to approve;

    a) The Letter of Representation attached to this report as Appendix A

    b) The audited 2017/18 Statement of Accounts as presented with this report

Financial Implications

9. None

Background Papers

10. None

Impact

11.

Communication/Consultation	N/A
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

Situation

12. This is the first year that the council has been required to produce consolidated group accounts and relates to the Aspire (CRP) Ltd investment.

13. There were two errors identified by the Auditors which were not adjusted for in the accounts,

   I. The council dwellings proxy depreciation charge of £224,000 was understated. The understated charge related to a change in accounting policy in year, which was not identified and the depreciation was calculated on the same basis as previous years. This has no revenue or bottom line impact and will be adjusted as part of next year's accounts to align the depreciation and carrying value of the assets.

   II. The group accounts income was overstated by £63,000, the annual income being estimated at £3,000,000 and the actual amount received £2,691,000. The final quarter's income was based on an accrued estimate; this estimate was in line with the income received for quarter 3. The final confirmed income was not received until the 8th June and management did not deem the overstated accrued amount to be material to the understanding or performance of the investment.

14. It should be noted an estimated accrual for corporation tax has been included in the group accounts, due to the timeline of the full audit of the subsidiaries accounts and the submission to HMRC this figure could potentially change.

15. There were three adjustments to the accounts;

    I. A classification error, where the amount of £23.5m of short term borrowing was included in the short term creditor total within the balance sheet in the draft accounts, we were required to show the borrowing and creditor amounts separately, the accounting values were correct.

    II. The second adjustment related to the pension fund, the actuary provides all councils with an annual Pension Fund Disclosure Statement. The pension fund asset value which was included in our draft statements and this was correct at the time. The actuary estimated the pension fund asset value, the draft accounts were based on this information. In June our external auditors as part of their assurance work with the Pension Fund auditors identified that the actual asset value was £111.0m higher than the estimate. The council's share of this was £1.26m and due to materiality we were required to update the pension tables and statements for the final accounts. This had no revenue effect.

    III. The final adjustment related consolidated group accounts for the treatment of the Stamp Duty Land Tax (SDLT) and additional running costs totalling £2.2m. The total of these items had been expensed in the pre audited accounts, but due to the configuration of the shares in the joint partnership, £1.1m has now been written out as an expense and the remaining £1.1m included in the total investment on the balance sheet (£46.4m).

Risk Analysis

16.

Risk	Likelihood	Impact	Mitigating actions
There are no risks as the accounts have been subject to an external audit	N/A	N/A	N/A

1 = Little or no risk or impact
2 = Some risk or impact – action may be necessary.
3 = Significant risk or impact – action required
4 = Near certainty of risk occurring, catastrophic effect or failure of project.