

**FINANCE, AUDIT AND RISK COMMITTEE  
30 JULY 2018**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: STATEMENT OF ACCOUNTS 2017/18**

REPORT OF : SERVICE DIRECTOR- RESOURCES  
EXECUTIVE MEMBER : COUNCILLOR JULIAN CUNNINGHAM  
COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

1.1 The purpose of this report is to ask Finance, Audit and Risk Committee to approve the audited Statement of Accounts for 2017/18. The Annual Statement of Accounts has been subject to external audit and is enclosed with the report as Appendix A.

**2. RECOMMENDATIONS**

2.1 That the 2017/18 Annual Statement of Accounts, as set out in Appendix A, be approved and signed by the Chairman.

**3. REASONS FOR RECOMMENDATIONS**

3.1 To ensure that any queries raised are addressed before the approval of the Statement of Accounts for 2017/18.

3.2 To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of the Statement of Accounts by no later than the 31 July.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 The Authority is required to prepare an annual Statement of Accounts and must follow accounting practices guidance issued by the Secretary of State and follow 'proper practices' governing the preparation of the annual Statement of Accounts (Section 21 of the Local Government Act 2003).

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

5.1 Consultation on the Statement of Accounts is not required.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1 The Council is legally required to produce a statement of accounts detailing the financial activities for the year and overall financial position as at 31 March. The audited statement of accounts for the year 2017/18 is set out in appendix A.
- 7.2 The Council has a statutory responsibility to publish its draft Statement of Accounts by 31 May 2018, and this was done by publishing it on our website and making hard copies available via the Customer Service Centre from that date. As required, the Council also advertised the availability of the accounts and the public inspection of accounts period. The public inspection period gives certain rights to members of the public and electors. This includes being able to inspect certain documents related to the accounts, ask questions of the auditors (electors only) and object to the accounts and ask the auditor to issue a report in the public interest (electors only). There were no requests to inspect documents related to the accounts and our auditors have not received any questions or objections.
- 7.3 At the meeting of the Committee on 18 June 2018, the Service Director- Resources advised the committee that the draft Statement of Accounts were available on the Council's website, and that the Committee would be asked to approve them at their next meeting. This was followed up with an e-mail to all Committee Members (and Substitutes) providing the website link to the document.
- 7.4 The Council's external auditors, Ernst & Young LLP, arrived as scheduled in early July to start the accounts audit and their report will be presented to Members at this meeting tonight.
- 7.5 Regulation 10 of the Accounts and Audit Regulations 2003, states the accounts should be signed and dated by the Member presiding at the meeting which formally approves the accounts. Under the constitution, the Finance, Audit & Risk Committee has responsibility to "review and approve the Statement of Accounts".

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The Service Director- Resources (as the Council's Chief Finance Officer) will have signed the Statement of Responsibilities (page 1 of Appendix A) prior to the meeting. This is to certify that the statement of accounts give a true and fair view of the financial position of the Authority as at 31 March 2018 and its income and expenditure for the year then ended. Subject to the Committee's approval of the Statement of Accounts, the Service Director- Resources and the Chairman of the Committee will sign the Letter of Representation on behalf of the Council. The wording of the Letter of Representation can be found in appendix D to the Audit Results Report document, which will be presented by Ernst & Young this evening. The Chairman will also sign page 1 of the Statement of the Accounts to confirm that they have been approved by the Committee.

- 8.2 As highlighted in the report from Ernst and Young, the audit of the accounts has taken longer than planned. The reasons for this are also highlighted in that report. This meant that it was not possible to produce a final version of the Statement of Accounts until today. As this report describes the changes between the draft and final version of the Statement of Accounts, it was therefore also not possible to produce this report until today. That is the reason why both reports have had to be tabled this evening rather than being provided in advance.
- 8.3 Committee members should have had the opportunity to review the draft Statement of Accounts. The following paragraphs detail the changes between the Draft and Final versions.
- 8.4 The only material change that has been made is in relation to the valuation of pension fund assets. This is detailed in the report from Ernst and Young, and primarily relates to the numbers on page 79 of Appendix A. The Council had correctly used the original valuation of pension fund assets, but this value was increased in a revised updated version. The valuation of the pension fund position is subject to a number of significant estimates, particularly in relation to the present value of future liabilities. To produce accounts in a shorter period it is necessary to rely on estimates. As Ernst and Young have highlighted in their report, they will be raising this with the National Audit Office. The Council will also seek to raise this issue through appropriate forums.
- 8.5 A change has also been made in relation to the Collection Fund, specifically the amount of income from Council Tax charged to the Comprehensive Income and Expenditure Statement for 2017/18 (itemised in note 14 to the Accounts). The Council Tax income value for the year includes an adjustment for the Council's share of the Council Tax Collection Fund surplus / deficit position. Over a few years, the Council has chosen to retain its surplus on Council Tax (from collecting more than estimated) within the Collection Fund, while the County Council (HCC) and the Police and Crime Commissioner (PCC) have withdrawn their shares annually. The calculation of the NHDC Council Tax income total for 2017/18 should therefore have reflected that the whole of the surplus amount relating to previous years belonged to the Council. However, part of this surplus balance was incorrectly apportioned to HCC and the PCC, and this has been corrected for the final version. The correction primarily affects those income totals across Appendix A of which Council Tax income is a component, but also affects the amounts that are owed to the other Authorities. It should be noted that no corrections were required to amounts reported within the Collection Fund section of the Statement of Accounts document (pages 84-88 of Appendix A).
- 8.6 During 2017/18 the Council received the balance of its Local Authority Mortgage Scheme (LAMS) money back (£1m). This is required to be shown as a movement between the Capital Adjustment Account and the Capital Receipts Reserve. This is shown on page 46 of Appendix A. In the draft set of accounts this amount was disclosed under one of the standard headings within this table. To aid understanding this has now been shown under a separate specific heading.
- 8.7 There have been some other minor changes, and there are also consequential impacts on other totals of the changes described above. A version of the Statement of the Accounts highlighting these changes has been provided to Ernst and Young, and they have reviewed this to ensure that the changes have been made correctly.

- 8.8 The Narrative Report within the statement of accounts provides an overview of how the accounts are presented and highlights the most significant matters. As required by guidance this now also provides an introduction to the Council and how it operates.
- 8.9 Officers are not aware of any events that have occurred since the year end that provide additional evidence of conditions that existed at the 31 March 2018 or materially affect the amounts included in the Statement of Accounts. In particular there has not been any subsequent event that would require an amendment to the contingent assets and liabilities listed in the accounts.
- 8.10 The Annual Governance Statement (AGS) is also recommended to be approved by Finance, Audit & Risk Committee at this meeting tonight. The Council has a legal duty to ensure that the publication of the Statement of Accounts is accompanied by the publication of the Annual Governance Statement.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published by the deadline date of 31 July 2018.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no direct financial implications arising from this report. The outturn reports were presented to Members in June. These provided the end of year position of the general fund, other reserves and capital expenditure. None of the changes to the Statement of Accounts identified from the audit have resulted in any change to the outturn position reported. The audit of the accounts was completed within budget.

## **11. RISK IMPLICATIONS**

- 11.1 The process of compiling the Statement of Accounts is a control mechanism to help mitigate against the risk of poor financial management and is a way the Council can demonstrate to the public how it has managed its resources and acted in its responsibility as a steward of public funds.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no equalities implications arising from this report.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 The Social Value Act and “go local” policy do not apply to this report.

**14. HUMAN RESOURCE IMPLICATIONS**

14.1 There are no direct human resource implications arising from this report.

**15. APPENDICES**

15.1 Appendix A – Audited Statement of Accounts 2017/18.

**16. CONTACT OFFICERS**

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**17. BACKGROUND PAPERS**

17.1 Un-audited Statement of Accounts 2017/18 – link below:  
<http://www.north-herts.gov.uk/home/council-performance-and-data/budgets-and-spending/statement-accounts>

17.2 Audit Results Report – separate item on the same agenda.