



Report to Audit and Governance Committee

Date: 10 June 2020

Reference number: Information only

Title: Training on Statement of Accounts

Relevant councillor(s):

Author and/or contact officer: Hasina Shah

Ward(s) affected: Not applicable

Recommendations: Note the training slides attached to this report.

Reason for decision: Not applicable

Executive summary

- 1.1 This is a covering report for the training to the committee members on Statement of Accounts.

Content of report

- 1.2 The Committee is responsible for approving Council's Final Accounts. The training provides more insight into the respective responsibilities for the Committee, S151 Officer and the External Auditors along with what is included in the Statement of Accounts. Please see attached slides for further details.

Other options considered

- 1.3 Not applicable

Legal and financial implications

- 1.4 Not applicable

Corporate implications

1.5 Not applicable

Consultation and communication

1.6 Not applicable

Next steps and review

1.7 Not applicable

Background papers

1.8 Not applicable

Your questions and views (for key decisions)

If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone [] or email []





Statement of Accounts

Interpreting, reviewing and challenging of local authority accounts

The Council's Statement of Accounts - agenda

1. What is the purpose of the Statement of Accounts?
2. Timetable for 2019/20
3. Relevant legislation
4. Respective responsibilities of the authority, the auditor and the Audit Committee
5. Primary statements
6. Areas of the Statement of Accounts where the Audit Committee may wish to focus its challenge
7. Other aspects of audit reporting
8. Questions

1. What is the purpose of the Statement of Accounts?

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances.

It should answer such questions as:

- What did the authority's services cost in the year of account?
- Where did the money come from?
- What were the authority's assets and liabilities at the year-end?

2. Timetable

- End of May – Completion of draft Statement of Accounts (SoA)
- June – Audit for district Councils' commence
- Mid July – Pension Fund audit completed & County audit commence
- End July – District audit completed & Committee approves the District SoA
- End September – County audit completed & Committee approves the County SoA

3. Relevant legislation

Code of Practice on Local Authority Accounting in the United Kingdom 2019/20: A Statement of Recommended Practice (SORP)

- Specifies the principles and practices of accounting required to prepare a statement of accounts
- No significant changes to the prior year
- Has effect for financial years commencing on 1 April 2019
- S151 officer and external auditor sign off that the statement of accounts is in accordance with the SORP



3. Relevant legislation (continued)

The Statement of Accounts shall include:

- an narrative statement by the S151 officer;
- a statement of accounting policies;
- a statement of responsibilities for the statement of accounts;
- Main statements : Movement in Reserves statement (MIRS), Comprehensive Income and Expenditure statement (CIES), Balance Sheet (BS) and Cash Flow statement (CFS);
- notes to the accounts;
- Supplementary Financial Statement : Collection Fund;
- annual governance statement;
- separate pension fund accounts; and
- auditor opinions.

4. Respective responsibilities of the authority, the auditor and the audit committee

The Authority's responsibilities:

- To secure a chief financial officer responsible for the proper administration of the authority's affairs.
- To manage its affairs to secure economy, efficiency and effectiveness in its use of resources and safeguard assets.
- To approve the Statement of Accounts.

The Chief Financial Officer's responsibilities:

- To prepare the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In doing so the CFO should:
 - select suitable accounting policies and apply them consistently;
 - make judgements and estimates that are reasonable and prudent;
 - comply with the Code;
 - keep proper accounting records which are up to date;
 - take reasonable steps to prevent and detect fraud and other irregularities; and
 - should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2020.

4. Respective responsibilities of the authority, the auditor and the audit committee (continued)

The Auditor's responsibilities

- To be satisfied that the accounts comply with statutory requirements and that proper practices have been observed in compiling the accounts.
- To express an opinion on the statement of accounts, including whether they present fairly, or give a true and fair view of, the financial position of the audited body and its expenditure and income for the year in question; and whether they have been prepared properly in accordance with the relevant accounting framework.
- To satisfy themselves and, having regard to relevant criteria, give a conclusion as to whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- To certify the completion of each audit.

4. Respective responsibilities of the authority, the auditor and the audit committee (continued)

The Audit Committee's responsibilities

- The Audit Committee independently monitors, reviews and reports to the Authority on the processes of governance.
- Where appropriate, it also facilitates and supports, through its independence, the attainment of effective processes.
- The Audit Committee is responsible for overseeing the Authority's overall approach and actions in respect of managing key risks threatening the achievement of objectives.
- Benefits of the Audit Committee are shown over-leaf

4. Respective responsibilities of the authority, the auditor and the audit committee (continued)

Increased public and stakeholder confidence in objectivity and fairness of financial and other reporting

Reduces the risk of illegal or improper acts

Reinforces the importance and independence of internal and external audit and other relevant review processes

Provides a sharper focus of financial reporting, both during the year and at year-end

Raises awareness of the importance of internal control and the implementation of audit recommendations

Provides additional assurance through independent and objective review

5. Primary Statements

- **Balance sheet** – this shows what the authority owns and what it owes or is owed at a fixed point in time (31 March).
- **Comprehensive income and expenditure statement (profit and loss account)** - how much money the authority received and spent over a period of time (12 months to 31 March).
- **Cash flow statements** show the exchange of money between the authority and the outside world also over a period of time (12 months to 31 March).
- **Movement in reserves statement** – identifies funds set aside or saved for future use.

5. Supplementary Statements : Collection Fund

A ringfenced revenue account

Shows the transactions in relation to:

- Council tax
- National non-domestic rates (NNDR)

Expenditure items consist of:

- Precepts and demands
- NNDR payment to national pool
- Bad debt provision
- Appeals Provision

Authority acts as an 'agent' for central government

5. Pension Fund Accounts

Income and expenditure analysis

- Contributions from employers / members
- Amounts paid to pensioners and transfers out
- Returns on investments
- Investment management expenses

Net assets statement

- List of investments
- Net current assets and liabilities

6. Areas of the Statement of Accounts where the Audit Committee may wish to focus its challenge

The Narrative Statement

- Local authority accounts are large documents with a lot of information in them.
- The Code requires that there should be a Narrative Statement to the Statement of Accounts that explains the more significant features of the accounts.
- When reviewing the Narrative Statement the Audit Committee should consider whether:
 - it is based on the information contained in and consistent with the Statement of Accounts;
 - it contains material inaccuracies or misleading statements;
 - it is written in plain language and technical terms and jargon are used sparingly; and
 - where technical terms cannot be avoided they are clearly explained in a glossary.

The Annual Governance Statement

- Do the items you discussed and addressed have adequate explanation; and
- Does your conclusion from reading the statement agree with your understanding of 'where the council is'.

6. Areas of the Statement of Accounts where the Audit Committee may wish to focus its challenge (continued)

The Financial Statements

When reviewing the financial statements the Audit Committee should focus on:

- the suitability of and any changes to the accounting policies and treatments;
- the reasonableness of major judgemental areas and accounting estimates, e.g. provisions and valuations
- significant adjustments and material weaknesses in internal control reported by the external auditor;
- any relevant issues raised in the external auditor's audit planning report to the Audit Committee;
- significant year-on-year movements on balances; and
- one-off significant transactions.

6. Areas of the Statement of Accounts where the Audit Committee may wish to focus its challenge (continued)

Questions the Audit Committee may wish to ask

- Which significant items in the accounts are based on accounting estimates?
- Which accounting policies followed by the authority required an element of judgment in their application?
- How does the approach taken this year to these items and policies compare with last year?
- Have there been any developments in accounting standards or generally accepted accounting practice of relevance to the authority since the audit committee last reviewed the authority's accounting policies and practices?
- What assurance does the Committee have that the financial statements satisfy all statutory and other regulatory disclosure requirements to which the authority is subject?
- What are the material factors that have caused the change to the surplus/ deficit for the year and the movement on the general fund compared to prior year?
- What are the material factors that have caused the other significant movements in balances?
- Are assets "recoverable"? (e.g. Debtors, Fixed assets)
- Are liabilities provided? (e.g. Legal cases, insurance claims)
- Are reserves balances appropriate going forward?

On top of questions, analyse figures compared to budget / prior year, and ask about significant changes. Use your knowledge of the authority, budgets for the year and events to inform queries about things which surprise you

7. Other aspects of audit reporting

WGA

Whole of Government Accounts. Effectively a consolidation schedule

SeRCOP

Providing a consistent framework for reporting local authority data

VfM

Considering the effectiveness, economy and efficiency of the LA's use of resources

Member
Objections

Local residents (within the District/County) challenging information within the accounts (no materiality)

Questions?