

## STATEMENT OF ACCOUNTS 2018/19 - DUTIES AND RESPONSIBILITIES

### SUMMARY AND RECOMMENDATIONS:

**SUMMARY:** This report sets out the duties and responsibilities for the Licensing, Audit and General Purposes Committee in order to provide effective scrutiny of the Council's financial statements

### RECOMMENDATIONS:

Members are requested to:

- (i) Note the contents of this report

## 1 INTRODUCTION

- 1.1 The Licensing and General Purposes Committee holds an important role in the provision of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance, as referred to in the Committee's Terms of Reference and reflected in its proposed work programme for 2019/20. The Committee's role should focus on financial reporting and financial governance rather than the wider issues of performance and spending priorities which are considered elsewhere on the governance structure.
- 1.2 Part of the Committee's role is to provide effective scrutiny of the Council's financial statements. This forms part of a system of financial responsibility as illustrated in Appendix 1 to this report.

## 2 STATEMENT OF ACCOUNTS 2018/19

- 2.1 The Statement of Accounts is an annual publication of the financial position of the Council, containing a record of the assets and liabilities of the Council and the cost of the services the Council provides.
- 2.2 The Statement of Accounts for 2018/19 has been prepared in line with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC), under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit (England) Regulations 2015.
- 2.3 The Accounts and Audit (England) Regulations 2015 provide for the requirement for the Statement of Accounts 2018/19 to be available for public inspection online

for a 30 working day period commencing Monday 3 June 2019 through to Friday 12 July 2019.

2.4 The Statement of Accounts consists of:

- An introduction and summary of significant financial issues during the year (Narrative Statement)
- Statement of Responsibilities
- 4 key financial statements – Movement in Reserves, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow
- Expenditure & Funding Analysis
- Notes to the core financial statements – including accounting policies
- Collection Fund and accompanying notes (Council Tax and Business Rates)
- Audit Opinion

2.5 The Auditors' Report will be available alongside the audited statement of accounts for 2018/19 at the meeting of the Licensing, Audit and General Purposes Committee meeting to be held on Monday 29 July 2019.

2.6 The Council's Annual Governance Statement (AGS) is required to be published alongside the Statement of Accounts and is included for consideration elsewhere on the agenda for this meeting of the Committee.

2.7 CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the appropriate committee prior to the commencement of the external audit. This allows for sufficient time for due consideration of the information and affords an opportunity to remind the Committee of their duties and responsibilities in respect of the Statement.

### **3 REVIEWING THE STATEMENT OF ACCOUNTS**

3.1 Members are invited to discuss the draft Statement of Accounts and their approach to considering the final version for approval in July 2019.

3.2 Members should satisfy themselves that appropriate steps have been taken to meet statutory and professional practices. This could include:

- reviewing the narrative report to ensure consistency with the statements and the financial challenges and risks facing the council in the future
- reviewing whether the narrative report is readable and understandable by a lay person
- identifying the key messages from each of the financial statements and what this means for the Council in future years
- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- reviewing major judgemental areas, e.g. provisions or reserves
- seeking assurance that preparations are in place to facilitate the external audit

- 3.3 *Understanding Local Authority Financial Statements* (CIPFA/LASACC, 2016) includes a description of the key financial statements along with a checklist of questions that may be helpful to Members in carrying out their role.

## 4 OTHER FACTORS TO CONSIDER

- 4.1 Members should have regard to the following when considering the accounts:

Materiality	<ul style="list-style-type: none"> <li>• Do the accounts contain all material transactions?</li> <li>• What level of materiality has been considered?</li> <li>• What do Members consider significant, in disclosing information to the reader of the accounts?</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>• Are transactions transparent? For example, are income and expenditure figures shown separately and not netted off, potentially distorting understanding of the financial transactions?</li> <li>• Is the true nature of a transaction disclosed?</li> </ul>
Valuation	<ul style="list-style-type: none"> <li>• How can Members satisfy themselves that the assets and liabilities within the accounts are accurate?</li> <li>• What methodology has been used, what accounting policies are applicable?</li> <li>• What reliance has been placed on experts and how reasonable is that reliance?</li> </ul>
Consistency	<ul style="list-style-type: none"> <li>• Is reporting consistent throughout the accounts?</li> <li>• Is it consistent with the narrative statement?</li> <li>• Is it consistent with Member's knowledge of the organisation?</li> </ul>
Completeness	<ul style="list-style-type: none"> <li>• How can Members be assured that the statements are complete?</li> </ul>
Legality/Litigation	<ul style="list-style-type: none"> <li>• Are all transactions legal and have all potential litigation that the Council is party to, been disclosed?</li> </ul>
Classification	<ul style="list-style-type: none"> <li>• Have assets been classified correctly?</li> </ul>
Economic climate/Going concern principle	<ul style="list-style-type: none"> <li>• Is the current economic climate reflected in the statements and does the Council remain a going concern i.e. are Members aware of such significant curtailment in the Council's activities or such significant worsening of the financial position that the Council may not be able to continue to carry out its function?</li> </ul>
Risk of error	<ul style="list-style-type: none"> <li>• How can Members satisfy themselves that the Statements are free from misrepresentation or misreporting?</li> </ul>
Fraud	<ul style="list-style-type: none"> <li>• Are Members aware of incidences of fraud? What is the risk of fraud within the Statements?</li> </ul>
Rights and Obligations	<ul style="list-style-type: none"> <li>• Have all rights and obligations been disclosed correctly?</li> <li>• Are disclosures accurate?</li> <li>• Have all transactions actually occurred? For example, does the Council legally own the assets disclosed?</li> </ul>

- 4.2 Once these factors have been considered, Members should be satisfied that the accounts represent a true and fair view of the Council's financial position.

## **5 OTHER SOURCES OF INFORMATION AND ASSURANCE**

- 5.1 Members should consider what sources of information they can use to help them to approve the accounts and from whom they might seek assurance. A variety of sources should supply a clear and consistent message about the financial performance of the organisation. These sources might include:

- Internal audit
- The work of Licensing and General Purposes Committee in considering fraud, risk and internal audit reporting
- Statements of senior officers – Chief Executive, Directors, Chief Financial Officer, Monitoring Officer
- External audit opinion
- Other external evaluation - e.g. Local government Peer Review
- Other inspection regimes e.g. HMRC – VAT, PAYE
- Financial and Performance reports
- Members own knowledge of the affairs of the Council
- The context i.e. economic climate, interest rates, property prices, inflation
- Expert knowledge e.g. actuarial reports, property valuations

## **6 CONCLUSIONS**

- 6.1 In conclusion, Members of the Committee are not required to have a detailed knowledge of every transaction within the accounts, or any detailed, technical accounting knowledge. Members should however, consider the consistency of the information being presented and ask questions to gain assurance.
- 6.2 In particular, regular attendance at the Committee by the external auditor, affords Members the opportunity to question the processes, tools and techniques used as part of the audit, in order to gain assurance over the public reporting of the Council's finances.

### **BACKGROUND DOCUMENTS:**

*Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC)*  
*Understanding Local Authority Financial Statements (CIPFA/LASACC, 2016)*

### **CONTACT DETAILS:**

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## APPENDIX 1

### Licensing and General Purpose Committee's Roles and Responsibilities

Body	Role	Example
Council	Major policy and strategy decisions	<ul style="list-style-type: none"> <li>- Approval of the annual budget and financial strategy</li> </ul>
Cabinet	Monitors the financial position – takes decisions within the over-arching policies and strategies approved at Council	<ul style="list-style-type: none"> <li>- Monitoring of spend against budgets</li> </ul>
Licensing, Audit and General Purposes Committee	<p>'Those charged with governance' – scrutiny and challenge</p> <p>Consideration of risk and governance</p>	<ul style="list-style-type: none"> <li>- Consider accounting policies and estimation bases</li> <li>- Hearing the external auditors report</li> <li>- Consider, approve and sign the statements</li> <li>- Sign the letter of representation</li> <li>- Internal audit reporting</li> <li>- Risk and fraud</li> <li>- Annual Governance Statement</li> </ul>
Chief Financial Officer	Personal and Statutory responsibility	<ul style="list-style-type: none"> <li>- True and fair view</li> <li>- Provision of training</li> <li>- Preparation of statements and accompanying working papers</li> <li>- Involving Members in decision-making</li> <li>- Robust internal audit function</li> <li>- Adequate financial systems</li> </ul>
Experts	Technical disciplines	<ul style="list-style-type: none"> <li>- Use of actuaries, valuers, consultants</li> </ul>
External audit	<p>Provision of external scrutiny and challenge</p> <p>External assurance</p>	<ul style="list-style-type: none"> <li>- Compliance with statutory requirements</li> <li>- Satisfied that proper practices have been observed in compiling the accounts</li> <li>- Express an opinion on the statements</li> <li>- Obtaining evidence on the amounts and disclosures</li> <li>- Policies are appropriate and consistently applied</li> <li>- Estimates are reasonable</li> <li>- Statements are consistent with the Narrative Statement</li> </ul>

## APPENDIX 2

### **Statement of Accounts 2018/19 - Certification, Approval and Publication**

Certification by the Chief Financial Officer

The CFO must:

- (a) sign and date the Statement of Accounts
- (b) confirm that they are satisfied that the Statement presents a true and fair view of the financial position of the authority at the end of the financial year
- (c) the authority's income and expenditure for the financial year

The certification has to be signed off before the draft Statement of Accounts is made available for public inspection. The effective deadline for 2018/19 is 31 May, as the 30 working day period for the exercise of public rights must include the first ten days in June.

The requirement for the end of May certification effectively establishes an end-point for the drafting of the Statement of Accounts. By this date the Statement will be in such a state of completion and accuracy that the CFO is assured that it presents a true and fair view. Subsequent changes would be related to the correction of misstatements and omissions identified by the auditor or the updating of disclosures for subsequent events.

### **Public Inspection Period**

For 2018/19, there is a formal requirement to publish the unaudited Statement as the focus for the public inspection period. As described above, the CFO will sign, date and certify the unaudited Statement of Accounts for 2018/19 and commence the period for the exercise of public rights. The inspection period must comprise a single period of 30 working days. For the 2018/19 Accounts, the period will start on Monday 3 June 2019 and end on Friday 12 July 2019.

### **Website publication and additional information that accompanies the Accounts (including the exercise of public rights)**

The CFO will publish the unaudited certified Statement of Accounts (which must at least include publication on the authority's website).

The unaudited 2018/19 Statement of Accounts must be accompanied by:

- (a) a CFO signed declaration that the Statement of Accounts are unaudited and may be subject to change
- (b) the Annual Governance Statement
- (c) the Narrative Statement

The CFO must also publish a statement under regulation that sets out:

- (a) the period for the exercise of public rights
- (b) details of how interested parties should give notice of an intention to inspect the accounting records and other documents
- (c) the name and address of the local auditor
- (d) the provisions regarding the rights of public inspection of documents
- (e) right to make objections at audit

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The period for the exercise of public rights then commences on the day after the requirements for the publication of the unaudited Statement of Accounts and the statement of public rights have been satisfied.

The CFO is required to notify the external auditor when the public inspection period has commenced.

### **Rights of inspection**

Any persons interested may:

- (a) inspect the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to them
- (b) make copies of all or any part of those records or documents

### **On completion of external audit (to be a date in July 2019 prior to the L&GP Committee meeting)**

The CFO must re-confirm their view that the Statement of Accounts presents a true and fair view before it is given member approval. This is an absolute requirement, and the CFO cannot rely on the original certification, even if the Statement of Accounts has not changed since the unaudited version was published.

### **Approval by Members in July 2019**

Members are required to approve the Statement of Accounts prior to 31 July 2019. Members have a duty to:

- (a) consider the Statement of Accounts
- (b) approve the Statement by a resolution
- (c) ensure that the Statement is signed and dated by the person presiding at the meeting

### **Publication**

The approved the Statement of Accounts for 2018/19 must then be re-published with

- (a) the Annual Governance Statement (also approved by members in advance of the Statement of Accounts)
- (b) the Narrative Statement

The Regulations state the above as separate documents. This is important for the Statement of Accounts, as this is the document that the CFO and the auditor are required to certify as true and fair and care needs to be taken that this view is not taken to apply to any other statement.

Once the Statement of Accounts is published, the Council must:

- (a) keep copies of the Statement of Accounts, Annual Governance Statement and Narrative Statement for purchase on payment of a reasonable sum
- (b) ensure that the three Statements remain available for public access for at least five years after the date of publication

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The Council must additionally publish a statement as soon as reasonably practicable after the conclusion of the audit. The statement must include:

- (a) confirmation that the audit has been concluded and that the Statement of Accounts has been published
- (b) information about electors' rights to inspect and make copies of the Statement of Accounts, the auditor's certificate of completion, the auditor's opinion on the Statement of Accounts, any public interest report relating to the authority or an entity connected with it, and any recommendation relating to the authority or an entity connected with it
- (c) details of the address and the hours during which inspection rights may be exercised

Electors have a right to inspect the documents at all reasonable times and without payment and a right to be supplied with copies on payment of a reasonable sum.

### **Annual audit letter**

When the annual audit letter is received from the auditor, the LA&GP committee will meet to consider its contents as soon as reasonably practicable. The Council then must:

- (a) publish the audit letter
- (b) make copies available for purchase on payment of such sum as the authority may reasonably require