

Central Bedfordshire Council

AUDIT COMMITTEE

Wednesday, 27 September 2017

2016/17 Statement of Accounts

Report of: Charles Warboys, Director of Resources and Section 151 Officer
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Purpose of this report

1. The report presents the 2016/17 Statement of Accounts for Central Bedfordshire Council. The annual accounts document is attached at Appendix A to the report.

RECOMMENDATIONS

Having considered the Audit Results Report from Ernst and Young LLP (agenda item 7) the Committee is asked to approve:

1. the 2016/17 Statement of Accounts as presented;
2. the publication of the Annual Governance Statement 2016/17 with the 2016/17 Statement of Accounts; and
3. the 2016/17 draft Letter of Representation, as set out at Appendix C, for submission to the Council's external auditor Ernst & Young LLP, and that the Chairman of the Audit Committee and the Section 151 Officer be authorised to sign it.

Overview and Scrutiny Comments/Recommendations

2. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

3. Regulations require that the annual accounts are published with the audit opinion and certificate no later than 30 September following the end of the financial year. In advance of this the accounts must have been approved by Members. Approval of the accounts is therefore required at the

September 2017 Audit Committee. The full set of annual accounts is attached at Appendix A.

4. Auditing standards require the external auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve the draft letter of representation to Ernst and Young LLP attached at Appendix C.

Statement of Accounts 2016/17

5. The Section 151 Officer, as required by the Accounts and Audit Regulations, certified the 2016/17 draft annual accounts on 29th June 2017. A presentation explaining key figures within the accounts was made to the Audit Committee at its June meeting. Public inspection of the accounts was also advertised and this concluded on 10 August 2017.
6. The Statement of Accounts 2016/17 have been subject to external audit examination by Ernst & Young LLP during the period July to September 2017. The Ernst & Young LLP's Audit Results Report (EY ARR) is at item 7 on this agenda. At the point of writing this report the audit has concluded.
7. The Audit Results Report outlines any audit differences impacting on the original draft version of the accounts that exceed £0.586m—a value calculated by the external auditors based on their level of materiality. At the time of writing this report one such difference, in respect of the disclosed valuation of the Council's housing stock, has been identified. The valuation of the housing stock disclosed in the draft accounts of £398.98m was understated by £40m and consequently the unusable Capital Adjustment Account Reserve (£526.041m) and Revaluation Reserve (£236.58m) were also understated. The difference has been adjusted in the statement of accounts as it was deemed material to the individual balance of the housing stock, albeit not to the overall valuation of property plant and equipment of £1.3bn.
8. The difference in the valuation arises from the results of the impairment review undertaken by the Council's professional valuer, Wilks Head & Eve, which suggested that there had been a market increase in the valuation of the Council's housing stock of 10%. Initially it was felt that this was not material to the balance and therefore the suggested uplift was not applied to the valuation in the draft statements. Further it was considered that as the Council's housing stock is revalued every year it would not materially mislead the reader of the accounts.
9. Robust discussion took place with EY as to whether the impairment review should have been applied. As they considered the balance of the Council's housing stock in isolation from the overall property plant and

equipment it was deemed a material change and therefore an adjustment to the accounts would be required.

10. Further to this we have commenced discussion with the valuers to identify whether it is possible to change the date of the initial valuation of the housing stock from 1 April each year to later in the year. The impact of which would greatly reduce any change in market prices at the end of the year. At the time of writing this is looking favourable and it may be that in future years the date of the valuation will be 31 December resulting in only 3 months of any change in market conditions which it is considered unlikely to be material and therefore no impairment allowance will be required to be adjusted for at the year end.
11. At the time of writing the external audit process for 2016/17 is complete and there are no issues identified that would prevent an unqualified audit opinion being issued. Work also continues in respect of the Whole of Government Accounts (WGA) return for 2016/17 and it is planned to have the audit of this aspect completed by HM Treasury's deadline of 29 September 2017. The audit completion certificate cannot be issued until after the WGA audit is completed.

Changes made to the Statement of Accounts certified by Section 151 Officer on 29 June 2017

12. Appendix B sets out the changes made to the statement of accounts certified by the Section 151 Officer on 29 June 2017. The majority of the changes are presentational in nature reflecting various incorrect classifications of specific items. With the exception of the change in the valuation of the Council's housing stock, none of the items impact on the financial position of the Council as reported at 31 March 2017.

Uncorrected misstatements below the audit reporting threshold

13. There were no misstatements identified during the audit that have not been adjusted in the statements.

Letter of Representation

14. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve a draft letter of representation to Ernst & Young, attached at Appendix C.

Reasons for decision

15. As required by the Accounts and Audit Regulations the annual accounts must be published with the audit opinion no later than 30 September. In

advance of this the accounts must have been approved by Members and to meet this requirement approval of the accounts is required at the 27 September 2017 Committee meeting.

Council Priorities

16. The effective management of the Council's financial resources and the associated risks supports the delivery of the Council's priorities.

Corporate Implications

Legal Implications

17. The Accounts and Audit Regulations 2011 require the Council to approve and publish annual accounts by 30 September following the end of the financial year.

Financial and Risk Implications

18. The annual accounts report the financial position of the authority at the end of the financial year and are prepared under the International Financial Reporting Standards, as interpreted by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Equalities Implications

19. There are no equalities implications to this report.

Conclusion and next Steps

20. Following approval, in accordance with the Accounts and Audit Regulations 2015 and the completion of the external audit process, the Statement of Accounts 2016/17 and the public notice of the conclusion of the audit of accounts by Ernst & Young LLP will both be published.

21. The signed letter of representation will be provided to the auditors.

Appendices

Appendix A: 2016/17 Statement of Accounts

Appendix B: Schedule of Changes

Appendix C: 2016/17 Letter of Representation

Background Papers

None

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