

Central Bedfordshire Council

AUDIT COMMITTEE

Monday, 30 July 2018

2017/18 Statement of Accounts

Responsible Director: Charles Warboys, Director of Resources and Section 151 Officer, Charles.warboys@centralbedfordshire.gov.uk

Purpose of this report

1. The report presents the 2017/18 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 8) the Committee is asked to approve:

1. the 2017/18 Statement of Accounts as presented;
2. the publication of the Annual Governance Statement 2017/18 with the 2017/18 Statement of Accounts; and
3. the 2017/18 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. The Accounts and Audit Regulations 2015 require that the annual accounts are published with the audit opinion and certificate no later than 31 July 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 July 2018 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 2017/18

5. The Section 151 Officer, as required by the Accounts and Audit Regulations, certified the 2017/18 draft annual accounts on 30 May 2018. A presentation explaining key figures within the accounts was made to the Audit Committee at its May meeting. Public inspection of the accounts was also advertised and this concluded on 11 July 2018.
6. The Statement of Accounts 2017/18 have been subject to external audit examination by Ernst & Young LLP during the period June to July 2018. The Ernst & Young LLP's Audit Results Report (EY ARR) is at item 8 on this agenda. At the point of writing this report the audit is still ongoing.
7. The Audit Results Report outlines any audit differences impacting on the original draft version of the accounts that exceed £9m—a value calculated by the external auditors based on their level of materiality. At the time of writing this report no such difference exists.
8. The main item that has been adjusted for in the accounts relates to the inclusion of capital expenditure on the balance sheet in relation to the building of Lower Wilbury Farm School—a value of £5.954m. This had previously been accounted for as Revenue Expenditure Financed by Capital Under Statute (REFCUS) and therefore included as service expenditure in the CIES and the item excluded from our asset register. The school is being built as an additional site to Fairfield Lower School and as such is a CBC asset, it is due to open in September 2018. In addition to increasing Assets Under Construction on the balance sheet by £5.954m this has the impact of reducing the Deficit on the Provision of Services from £29.003m to £23.050m. As a result Total Comprehensive Income and Expenditure has increased to (£34.092m). Property, Plant and Equipment on the balance sheet has increased by £5.954m and a corresponding increase is seen in the Capital Adjustment Account (unusable reserves).
9. Following the external audit of the Bedfordshire Pension Fund it was identified that the reported asset position at 31 March 2018 as a whole was £16.629m lower than the actuary's estimate. Based on CBC's estimated share of scheme assets, the Council's proportion of this is £2.174m. This is a judgemental difference and is not material for CBC so this has not been adjusted in the statement of accounts. This has been referred to within the Letter of Representation, Appendix C to this paper.

10. At the time of writing the external audit process for 2017/18 is substantially complete and there are no issues identified that would prevent an unqualified audit opinion being issued. Work has yet to start in respect of the audit of the Whole of Government Accounts (WGA) return for 2017/18. It is planned to have the audit of this aspect completed by HM Treasury's deadline of 31 August 2018. 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 30 May 2018

11. Appendix B sets out the changes made to the statement of accounts certified by the Section 151 Officer on 30 May 2018. The majority of the changes are presentational in nature reflecting various incorrect classifications of specific items. With the exception of the change in the classification of expenditure in relation to Lower Wilbury Farm School, none of the items impact on the financial position of the Council as reported at 31 March 2018.

Uncorrected misstatements below the audit reporting threshold

12. There were no misstatements below the audit reporting threshold identified during the audit that have not been adjusted in the statements.

Letter of Representation

13. 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.

Annual Governance Statement 2017/18

14. The finalised Annual Governance Statement 2017/18 (AGS) has been presented within the Statement of Accounts 2017/18. This has been amended slightly from the version the Audit Committee received and approved on 30 May 2018. Two additional paragraphs have been inserted in section 6 under the table relating to the work being undertaken on operational risk management and preparedness for compliance with the General Data Protection Regulations. The AGS was signed by both the Leader and the Chief Executive on 20 July 2018.

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 31 July. 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 30 July 2018 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 2015 require the Council to approve and publish annual accounts by 31 July 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 2017/18 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: 2017/18 Statement of Accounts

Appendix B: Schedule of Changes

Appendix C: 2017/18 Letter of Representation

Background Papers

None