

To: Audit and Governance Committee

Date: 28 September 2016

Report of: Head of Financial Services

Title of Report: Statement of Accounts for the Year Ending 31st March 2016

Summary and Recommendations

Purpose of report: To submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation.

Key Decision No

Executive lead member Councillor Ed Turner

Policy Framework: Efficient and Effective Council

Recommendation(s): That the Committee:

- a) Approve the audited 2015/16 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts
- b) Approve the Letter of Representation to enable the opinion to be issued (paragraph 12)
- c) Recommends to Council that the Council opt in to the national procurement of external auditors (paragraph 13)

Appendices

Appendix A –Statement of Accounts 2015/16

Appendix B – Letter of Representation

Background

1. On the 9th June 2016 the draft 2015/16 Statement of Accounts (the Statements) were certified by the 'Responsible Officer', the Head of Financial Services as a true and fair view of the financial position of the authority at the 31st March 2016. The accounts were duly authorised to be released for audit.

2. Following audit by Ernst and Young the Statements have been re-certified by the Head of Financial Services and re-presented to this Audit and Governance Committee for final approval, prior to the 30th September deadline in accordance with the regulations.
3. In preparation for the earlier closure dates due to be implemented in 2017/18, (Accounts completed by 31st May and audited by 31st July) the Council completed its 2015/16 draft accounts by 24th May 2016, and submitted them to Audit & Governance in line with the agenda deadline. The accounts and working papers were made available to the Auditors shortly after that and the Auditors started their audit on site on the 20th June with a planned finish by the end July.
4. Officers are discussing with the auditors how we can ensure both deadlines are met in future and will amend the approach to the preparation and audit in agreement with them in order that they can meet their deadline.
5. The 2015/16 audit is still ongoing but it is anticipated that it will be complete by the date of the Audit Committee so that the accounts can be signed off.
6. The auditors have made some recommended changes, in line with the Code of Practice, and have also issued a draft report on the outcome of the audit. This report appears elsewhere on the meeting agenda.
7. The auditors are expected to issue an unqualified opinion on the financial statements.

Uncorrected Misstatements

8. The Auditors have not identified any misstatements within the draft financial statements, which officers have not amended in the final version.

Changes to the Statements of Accounts

9. During the audit the external auditors identified a number of changes to the accounts which the Council have made. These changes do not have any material impact on the Council's overall financial position as they relate to disclosure notes, Balance Sheet items or items which are reversed out of the Comprehensive Income and Expenditure Statement (CIES) under normal accounting practice.
10. The Statement of Accounts, attached at Appendix 1, includes the adjustments that have been agreed and made as a consequence of the audit. The changes included are:
 - Note H2.1 has been amended to agree back to the main Property Plant and Equipment notes. Note H2.1 did not include one asset that should have been included.
 - The financial Instruments notes excluded some statutory debt, however some had not been excluded and so an adjustment has been made to

ensure all statutory debt is excluded. Statutory debt is specifically excluded from being classified as a financial instrument.

- The 2014/15 figures in the Earmarked Reserves, Grants and Officers Remuneration notes have been amended to correct transposition errors that were in the draft accounts.
- The exit packages note has been amended to remove the cost of flexible retirement after discussion with the auditors; it has been decided that these costs don't fall within the category of exit packages.
- Some adjustments have been made to property valuations reflected in the draft statements to agree the accounts back to the valuers reports.
- Impairment to Investment Property has to be shown within Financing and Investment Income and Expenditure rather than within services as is normal. Some of the impairment charged to the service related to property which has not been classified as investment property and this had been erroneously transferred to Financing and Investment Income and Expenditure. The non-Investment Property impairment has been adjusted back to the service.
- The group accounts supporting notes have been amended to reflect a change in accounting treatment that the Barton LLP auditors applied to those accounts. This change does not affect the amounts shown within the Oxford City Council group.

11. At the time of writing this report the audit is still in progress. A verbal update will be given at Audit and Governance Committee of any subsequent changes that need to be made.

Letter of Representation

12. Attached at Appendix 2 is a draft Letter of Representation which the Committee is asked to approve. This is a letter from the Council's Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion.

Future Audit Arrangements

13. Under the Local Audit and Accountability Act 2014, the Council has to appoint new external auditors. The auditors have to be appointed by 31st December 2017 and they will undertake the audit from the 2018/19 accounts onwards. A not for profit organisation, PSAA, has been appointed by DCLG as the appointed body for procuring external auditors under a national contract. There is also the option to appoint auditors on an individual authority basis or to enter into a consortium of local authorities. Since PSAA is letting contracts on a national basis, the expectation is that there will be better value for money achieved through this than any other approach. The recommendation of the Head of Financial Services is that the Council should opt in to contractual process being led by PSAA. PSAA would then assign the external auditors to the Councils that have adopted this approach. In

order for the Council to opt in to the national approach, the agreement of full Council is needed. It is therefore recommended that Audit and Governance Committee recommend to Council that the Council opts in to the national contract.

Financial Implications

14. These are covered within the main body of the report.

Legal Implications

15. In the future, the changes in dates will mean that the accounts will not be able to be presented to Audit and Governance Committee in draft form but the Committee will still be required to approve the final statement of accounts.

Risk Implications

16. There are no risks associated with the recommendations in this report. For 2017/18 there is a risk that the audit will not be completed within the deadline. Officers are working with auditors to facilitate a faster audit of the statements for 2016/17 in preparation for the 2017/18 closedown.

Communication

17. The Audited Statement of Accounts for 2015/16 will be published on the Council's website along with a notice confirming the conclusion of the audit.

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Background papers: None