**AUDIT COMMITTEE – 27 SEPTEMBER 2016**

**PART I - DELEGATED**

**7. EXTERNAL AUDITOR’S REPORT TO THOSE CHARGED WITH GOVERNANCE – ISA260 – (SEPTEMBER 2016) AND APPROVAL OF THE STATEMENT OF ACCOUNTS FOR 2015/16**

(DoF)

1. **Summary**

1.1 This report allows the Committee to ask questions of the external auditor concerning his ‘Report to those charged with Governance (ISA260)’ and to approve the Statement of Accounts for 2015/16.

2. **Details**

2.1 The Audit Committee at its meeting on the 28 June received the draft Statement of Accounts for 2015/16 (Minute AC13/16 refers). The Accounts have since been audited by EY (UK) LLP.

2.2 The Auditor’s ‘Report to those charged with Governance’ is attached at Appendix 1. It is issued in accordance with ISA260 and incorporates a conclusion on final accounts work and a value for money judgement. EY are present at this meeting to present the report and answer questions.

2.3 Attached at Appendix 2 is a letter of representation which should be signed at the meeting by the Chair of the committee and the Director of Finance.

2.4 The Council’s Statement of Accounts for 2015/16 is attached at Appendix 3.

2.5 Under the Council’s Constitution the Audit Committee has responsibility to consider and approve the Statement of Accounts.

2.6 The accounts must be signed by the Chief Financial Officer before they are approved by the Committee and, subject to approval, the Chairman of the Committee shall sign and date them at the meeting.

3. **Key Issues and Interpretation of the Accounting Statements**

* 1. The purpose of the Statement of Accounts is to give interested parties an understanding of the Council’s financial position. It also provides an opportunity to compare how the Council performed financially against its original plan published when setting the budgets in February 2015. The Committee is referred to the Foreword to the Statement of Accounts.
  2. The Financial Statements have been prepared under International Financial Reporting Standards (IFRS), a statutory accounting framework used by public sector bodies within the United Kingdom. The Chartered Institute of Public Finance and Accountancy (CIPFA) produce a Code of Practice on Local Authority Accounting (‘the Code’) which reflects the statutory requirements and has been followed in preparing the financial statements.

3.3 A draft Annual Governance Statement (AGS) was presented to the Committee on 28 June 2016 (Minute AC13/16 refers). It is now included in the Statement of Accounts before the Committee, and has been signed by the Leader of the Council and the Chief Executive as required by proper practice.

3.4 This Committee is monitoring progress on the system of internal control and the action plans deriving from the AGS and a report on this is also on this agenda.

*Summary of Financial Position*

3.5 The Council’s medium-term financial planning has aimed to achieve tax increases at or below the rate of inflation, a balanced budget and a prudent level of balances. With the reductions in government grant and changes to business rates, however, this means that significant savings have had to be identified. The Council is continuing to conduct a series of service reviews to identify the savings required. Tight financial control will need to continue to be exercised to ensure that the savings identified are achieved.

3.6 In the longer term the Council will also have to address the impact on the revenue account of reduced interest income due to record low interest rates and the diminishing level of capital reserves as they are used to fund capital expenditure together with the potential impact of borrowing to fund the projects in South Oxhey.

3.7 In the meantime, balances remain relatively healthy. The General Fund balance at 31 March 2016 was £4.396 million and the Council held £9.909 million in its capital receipts and grants reserves.

4. **Options/Reasons for Recommendation**

4.1 This recommendation allows the Committee to ask questions about the Statement of Accounts for 2015/16 and to approve them. It should be noted that Committee’s role of governance is around the processes of producing the accounts. Committee should be able to place reliance on external audit for the accuracy of the figures in the accounts and challenge on the outturn position was made at Policy and Resources Committee at their meeting on 13 June 2016.

5. **Policy/Budget Implications**

5.1 The recommendations in this report are within the Council’s agreed policy. The implications for the on-going budget are included in paragraph 6 below.

6. **Financial Implications**

6.1 The outturn figures for 2015/16 reported in the Statement were presented to the Policy and Resources Committee at their meeting on 13 June 2016 any on-going implications have been incorporated into the three year medium term financial plan.

7. **Legal, Staffing, Environmental, Community Safety, and Customer Services Centre Implications.**

7.1None specific

8. **Website Implications**

8.1The approved Statement of Accounts will be placed on the website.

9. **Equal Opportunities Implications**

9.1 *Relevance Test*

|  |  |
| --- | --- |
| Has a relevance test been completed for Equality Impact?  There are no equal opportunity implications associated with considering and approving the Statement of Accounts | No |
| Did the relevance test conclude a full impact assessment was required? | Not Applicable |

10. **Risk Management Implications**

10.1 The Council has agreed its risk management strategy which can be found on the website at http://www.threerivers.gov.uk. There are no risks associated with the decisions members are being asked to make.

11. **Recommendation**

11.1 That the Committee notes the external auditor’s ‘Report to those charged with Governance’,

11.2 That the Committee seeks any clarification it needs concerning the processes involved in production of the annual Statement of Accounts for 2015/16,

11.3 That the Committee confirms that it is satisfied that the accounting policies adopted are the most appropriate, and,

* 1. That the Statement of Accounts for 2015/16 be approved.

Report prepared by: Bob Watson – Head of Finance.

**Background Papers**

T*he Accounts and Audit (England) Regulations 2011*

**APPENDICES**

1. Report to those charged with Governance (ISA260) – EY(UK) LLP – September 2016*.*
2. Letter of Representation
3. Statement of Accounts 2015/16