

Audit & Governance Committee

26 July 2016

Is the final decision on the recommendations in this report to be made at this meeting?

YES

Draft Annual Financial Report for 2015/16

Final Decision-Maker	Audit & Governance Committee
Portfolio Holder(s)	Paul Barrington-King, Finance and Governance
Lead Director	Lee Colyer, Director of Finance and Corporate Services
Head of Service	Jane Fineman, Head of Finance and Procurement
Lead Officer/Report Author	Jane Fineman, Head of Finance and Procurement
Key Decision?	No
Classification	Non-Exempt
Wards affected	Not Applicable

This report makes the following recommendations to the final decision-maker:

1. That the Committee note Grant Thornton's Audit Findings Report – Appendix B;
2. That the Committee approve the draft Statement of Accounts and the Annual Governance Statement;
3. That the Committee authorise the Chairman and the Director of Finance and Corporate Services to sign a Letter of Representation based on Appendix A of the Audit Findings Report; and
4. That the Committee agree to a similar timetable for the approval of the Statement of Accounts and the Annual Governance Statement for the 2016/17 accounts by 31 July 2017 and to convene a special meeting for this purpose.

This report relates to the following corporate priorities:

- A Prosperous Borough
- A Green Borough
- A Confident Borough

Timetable	
Meeting	Date
Management Team	Verbal update
Discussion with Portfolio Holder	Verbal Update
Audit & Governance Committee	26 July 2016

Draft Annual Financial Report for 2015/16

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Audit and Governance Committee approved a report (AG10/16) at its meeting on 28 June 2016 introducing the draft Annual Financial Report for 2015/16 (which contains the Statement of Accounts). There have been no material changes since then and the audit is almost complete, as outlined in Grant Thornton's Audit Findings Report (Appendix B). This Committee now needs to give its formal approval in order that the Annual Financial Report can be published before the statutory deadline of 30 September, although the Committee is being asked to approve the accounts by the end of July this year in order to prepare for changing legislation in 2017/18.
-

2. INTRODUCTION AND BACKGROUND

The Annual Financial Report

- 2.1 The complete document published at the end of the audit process is termed the "Annual Financial Report" (Appendix A), while the term "Statement of Accounts" comprises the formal accounting statements, including the Collection Fund statement, together with the notes to these accounts. The Annual Financial Report consists of:
- Narrative Report (new name for the Explanatory Foreword)
 - The Annual Governance Statement
 - The Statement of Responsibilities
 - The Independent Auditor's Report
 - The Statement of Accounts
- 2.2 This report contains most of these sections, but the Independent Auditor's Report will be added after the audit, before publication.

The Audit Findings Report

- 2.3 The Audit Director from Grant Thornton has issued a draft Audit Findings Report (Appendix B attached) which he will introduce at the meeting. The report states that he expects to issue an unqualified audit opinion and they have not identified any adjustments affecting the Council's reported financial position. He reports that the quality of the draft statements received on 1 June 2016 was good and free from errors and that the finance team responded promptly and comprehensively to audit requests and queries. He also wished to record his appreciation for the assistance provided by the finance team and other staff during the audit.
- 2.4 The Value for Money Review, aimed at assessing the Council's arrangements for delivering economy, efficiency and effectiveness in its use of resources, is now part of the Audit Findings Report. The Audit Director has concluded that the Council had proper arrangements in all significant respects, to ensure it delivered value for money in its use of resources.
- 2.5 Page 5 indicates that the letter of representation needs to be signed, the post-balance sheet events review to the date of signing needs to be completed and the 'Whole of Government Accounts' (WGA) return needs to be finished. The letter will be signed after the Committee meeting; thus far there is nothing to report as a post-balance sheet

event and the WGA does not have to be returned yet; the signing off of the accounts is not dependent upon it.

- 2.6 There are no suggestions for improvement so there is no action plan in the Audit Findings Report to consider.

Role of Committee and timetable to publication of the Annual Financial Report

- 2.7 As noted in the Audit Findings Report, the audit is almost complete. This Committee has a duty to approve the Statement of Accounts, which will then be published as part of the Annual Financial Report before the statutory deadline of 30 September, this year by 29 July 2016. It is anticipated that this Committee will also give their statutory approval to the Annual Governance Statement at this meeting.
- 2.8 The statutory deadline for the approval of the Statutory Accounts has been brought forward to 31 July 2018 for the 2017/18 accounts. In preparation for this, it would be beneficial to repeat this year's deadlines in 2016/17 to ensure that the process is bedded in. This would again involve a special meeting of the Audit and Governance Committee to give their approval.

3. AVAILABLE OPTIONS

- 3.1 The Committee could decide not to approve the accounts.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That the Committee approve the accounts in order that the statutory obligations and deadlines are met.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 In line with the Accounts and Audit Regulations a formal advertisement was placed on the internet drawing the attention of the public to the availability of the draft accounts, and the legal right of interested parties to inspect the accounts and the supporting documentation. There have been no approaches to inspect the accounts or for any further information.
- 5.2 A minute from the meeting on 28 June 2016 requested that the Planning Performance wording on Page 5 be reviewed. This has been completed and amended and approved by the auditors. The position is now clear.
- 5.3 Grant Thornton has agreed that they can provide adequate resources to facilitate bringing the approval of the Statutory Accounts forward to 31 July in 2017.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Once the Independent Auditor's Report is signed the Statement of Accounts will be published on the Council's website.
-

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off (name of officer and date)
Legal including Human Rights Act	The Audit Committee has a legal duty of oversight for the Council's corporate governance arrangements. Under section 151 of the Local Government Act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information. There are no consequences arising from the recommendation that adversely affect or interfere with individuals' rights and freedoms as set out in the Human Rights Act 1998.	Senior Lawyer (Corporate Governance)
Finance and other resources	The Annual Financial Report details the overall unaudited financial position of the authority and is for information only.	Head of Finance and Procurement
Staffing establishment	There are no specific implications.	Head of HR or deputy
Risk management	The reporting of the draft Report at this stage is designed to improve scrutiny of the Council's draft accounts and therefore to reduce the risk of material error.	Head of Audit Partnership, Deputy Head of Audit Partnership or Audit Manager
Environment and sustainability	There are no specific implications.	Sustainability Manager
Community safety	There are no specific implications.	Community Safety Manager
Health and Safety	There are no specific implications.	Health and Safety Advisor
Health and wellbeing	There are no specific implications.	Healthy Lifestyles Co-ordinator
Equalities	There are no specific implications.	West Kent Equalities Officer

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

Appendix A Draft Annual Financial Report for 2015/16

Appendix B Draft Audit Findings Report for 2015/16

9. BACKGROUND PAPERS

Budget 2015/16 (Full Council 25 February 2015)