

REPORT TITLE: ANNUAL FINANCIAL REPORT 2017/18

31 JULY 2018

REPORT OF PORTFOLIO HOLDER: Cllr Guy Ashton

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WARD(S): ALL

PURPOSE

This report presents the audited Annual Financial Report 2017/18 which includes:

- a narrative statement (for noting);
- the audited Statement of Accounts for the year ended 31 March 2018 (for approval); and
- The Annual Governance Statement (being considered elsewhere on this agenda in report AUD216).

Legislation requires the Statement of Accounts to be approved by Members by the 31st July 2018. Audit Committee has delegated powers to review and approve the annual Statement of Accounts. The Committee has specific responsibility to consider the appropriateness and application of accounting policies and whether there are any concerns arising from the financial statements audit.

Elsewhere on the agenda the External Auditors have presented their Annual Results Report which includes a proposed unqualified opinion (AUD217). Due to the new condensed timetable for auditing the financial statements, the audit is still underway at the time of writing this report. The version of the accounts appended to this report may be subject to change if the audit identifies any material misstatements prior to the committee meeting.

It is important that Members have considered the key issues contained in the Accounts. Members have had the opportunity to raise any queries regarding the Financial Statements in the period since the pre-audit accounts were issued in May and are once again requested to raise any matters of detail with the Finance Manager (Financial Reporting) in advance of the meeting.

RECOMMENDATIONS:

1. That Audit Committee approves the Statement of Accounts 2017/18 as set out in Appendix 1.
2. That the Chairman of this meeting signs the Statement of Responsibilities on page 10 of Appendix 1 to certify the accounts and authorise their issue.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 The preparation of the Annual Financial Report is fundamental to the requirement for accountability for public finances. Ensuring that there is strong financial reporting and stewardship of public funds underpins the Council's ability to delivery the outcomes of the Council Strategy.

2 FINANCIAL IMPLICATIONS

- 2.1 None

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 None

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None

10 RISK MANAGEMENT

- 10.1

Risk	Mitigation	Opportunities
<i>Legal:</i> Failure to meet the statutory deadline for publication of the unaudited accounts	A comprehensive set of working papers was produced in advance of the external audit and an effective plan for the efficient transfer of information and update meetings was	None

	agreed with the audit team.	
<i>Reputation:</i> The accounts are qualified by external audit as being materially misstated.	The accounts are prepared in accordance with the CIPFA Code of Practice and are both planned and reviewed using the CIPFA Disclosure Checklist. Early communication / agreement of accounting treatment with external auditors.	None

11 SUPPORTING INFORMATION:

11.1 The financial statements have been subject to external audit by Ernst and Young LLP. In accordance with the statutory requirements, it is planned that the audited Statement of Accounts will be published, together with the auditor's opinion, Narrative Statement and Annual Governance Statement, by the 31st July 2018.

11.2 Due to the compressed timetable for auditing the accounts (statute requires it two months earlier than in previous years) EY are still conducting the audit at the time of writing this report. Should the audit identify any material errors or misstatements, the final accounts brought to Committee for approval may differ from those appended to this report.

11.3 Since the preparation of the pre-audit Statement of Accounts and its publication in May, a number of adjustments have been agreed with the auditors. In addition to some rounding adjustments and formatting corrections the following have been amended:

- i. Classification of a short-term debtor balance
A short term debtor of £718,000, representing collection fund balances owed to Winchester City Council by preceptors, was classified incorrectly as a short-term creditor. The *Other Local Authorities* lines in the Debtor note (page 32) and Creditor note (page 33) have been increased by £718,000. This adjustment is also reflected on the *Short-Term Debtors* and *Short-Term Creditors* lines on the Balance Sheet (page 14).
- ii. HRA depreciation
The estimated useful life of the *structure* component used to calculate depreciation on the HRA's dwellings was reassessed to be 80 years rather than 150 years (page 26). In addition, an error in the calculation of the depreciation figure (not excluding the land element of the dwellings) was identified. However, the combined effect of these two items resulted in a trivial adjustment to the dwelling depreciation charge for 2017/18 therefore the Statement of Accounts has not been amended.

11.4 Approval of the Statement of Accounts

The Statement of Accounts has been prepared in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations.

The Council's Statement of Accounts will be signed, prior to the Committee meeting, by the *Corporate Director: Resources*, in his capacity as Section 151 Officer, to certify that they give a true and fair view of the financial position of the Council as at 31 March 2018.

In addition, the Chairman of the Audit Committee is required to sign the Statement of Accounts to certify that they have been approved by a resolution of the Audit Committee and that they are authorised for issue.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD211 - Annual Financial Report 2017/18 (31st May 2018)

Other Background Documents:-

None

APPENDICES:

Appendix 1 – Annual Financial Report for the Year Ended 31 March 2018