

## PLYMOUTH CITY COUNCIL

**Subject:** Statement of Accounts 2016/17  
**Committee:** Audit Committee  
**Date:** 29 June 2017  
**Cabinet Member:** Councillor Darcy  
**CMT Member:** Andrew Hardingham, Interim Joint Strategic Director for Transformation and Change  
**Author:** Carolyn Haynes (Financial Controller)  
**Contact details** Tel: 01752 398927  
Email: [carolyn.haynes@plymouth.gov.uk](mailto:carolyn.haynes@plymouth.gov.uk)  
**Ref:** FIN/CH  
**Key Decision:** No  
**Part:** I

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### **Purpose of the report:**

A report on the Council's revenue and capital outturn for the financial year was reported to Cabinet on 30 May 2017. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication, and reports on progress towards the requirement to prepare the pre-audited accounts by the 30 June 2017.

The Accounts and Audit Regulations require that the accounts are available for public inspection for six weeks and this year the period of inspection commences on the 30 June 2017. The external audit commenced on 12 June 2017.

The report also details progress towards completion of the action plan agreed to implement the recommendations made by the auditor following the completion of the 2015/16 audit.

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### **The Corporate Plan 2016/17-2018/19:**

The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

The 2016/17 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

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### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

N/A

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**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No

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**I) Recommendations and Reasons for recommended action:**

1. Audit Committee note the report and the 'authorised for issue' date (1 June 2017) for the draft Statement of Accounts.
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**Alternative options considered and rejected:**

None – It is a statutory requirement to produce and approve the Statement of Accounts.

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**Published work / information:**

Outturn Report to Cabinet 30 May 2017

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**Background papers: None**

None

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**Sign off:**

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Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## Statement of Accounts 2016/17

### 1. Introduction

- 1.1 The financial outturn for both the Council's revenue and capital activities for 2016/17 was reported to Cabinet on the 30 May 2017. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication.
- 1.2 The Accounts have to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute. Details of the changes in relation to the 2016/17 Codes and relevant legislation which need to be considered for the accounts are outlined in section 3.
- 1.3 The Accounts and Audit Regulations require that the draft Statement of Accounts is signed by the Council's Section 151 Officer by 30 June each year. Progress towards the production of the pre-audit accounts is outlined in section 2 of this report. The pre-audited accounts will be published on the Council's website by the end of June.
- 1.4 Formal audit of the accounts for 2016/17 commenced on 12 June. The 30 working days period in which the Council has to make the draft accounts available for public inspection starts on 30 June. The audited Accounts will be presented to the next committee (14 September 2017) alongside the external auditor's report prepared by BDO. An analysis of the financial position and key messages within the accounts will be reported to committee in the accompanying report as it is not possible to do so at this stage whilst the draft accounts are still being finalised.
- 1.5 The Code requires that the Council sets and discloses an 'authorised for issue' date, which reflects a cut-off date in terms of the post balance sheet period within which events have to be considered in relation to their impact on the 2016/17 accounts. The relevant date for the draft Statement of Accounts has been set as 1 June 2016.
- 1.6 Each year the Audit Committee receives the external auditor's (ISA260) report on the accounts audit, which, where appropriate, will include an action plan containing issues for the Council to address for the following year's accounts. Progress against auditor recommendations resulting from the 2015/16 financial audit is detailed in Section 6 and **Appendix A**.
- 1.7 The Annual Governance Statement (AGS) is being presented separately to this Audit Committee for approval. The AGS no longer forms part of the published Statement of Accounts document but would stand-alone to reflect that its scope is wider than just the financial transactions of the authority. However, it will be published alongside the Statement of Accounts on the Council's website as is required by the Code.

### 2. Key Dates for 2016/17 and progress to date

- 2.1 Although there has been no change to the statutory timetable relating to the production and publication of the final accounts, internal deadlines and targets have been set which reflect earlier timescales for both the reporting of departmental financial results against budgets and the production of the draft Statement of Accounts.
- 2.2 The financial challenges that the authority is facing make it imperative that both Officers and Members are provided with accurate and up-to-date financial information in a timely manner

in order to facilitate informed decision-making. The timetable for monthly budget monitoring reporting has been shortened over the past year in order to allow finances to be controlled and achievement of budget delivery plans to be closely monitored.

- 2.3 There are other drivers which give rise to the decision to reduce the overall timetable for the production of the draft Statement of Accounts document. Firstly, there is a need to continuously review and improve financial management processes; a shorter timescale will both challenge current working practices and promote efficiencies. In addition, timelier completion of year-end activities will free up resources for other work at an earlier stage of the year. Other advantages which arise include cost effectiveness, staff benefits (such as improved morale via a sense of achievement and opportunities to develop the technical expertise within the service) and an enhanced profile for the Finance Service.
- 2.4 However, there is a risk that a faster timescale could compromise the quality of the draft statements. The Finance team are working to minimise the likelihood of this having a detrimental impact on the accounts by ensuring that progress is closely managed, staff involved are appropriately trained and there is close liaison with the external auditor throughout the year.
- 2.5 The year-end timetable for both internal and external reporting (via the Statement of Accounts) of the 2016/17 financial results has been set as follows:-

Milestone	Key Date
Provisional Outturn report to CMT	11 April
Draft Outturn Report to Cabinet Members	25 April
Draft Statement of Accounts prepared	5 June
Final Accounts Audit Commences	12 June
Statutory deadline for Section 151 Officer to 'sign off' of draft Statement of Accounts	30 June
Period of Public Inspection	30 June –10 August
Auditor's ISA260 report received and audited Statement of Accounts approved by Audit Committee	14 September
Statutory deadline for Section 151 Officer and Audit Committee to approve the audited Statement of Accounts	30 Sept

- 2.6 As the agenda for this committee was published, the Finance team were finalising the draft Statement of Accounts for review by Senior Management. We are on course to have the work on the accounts completed by the 5 June deadline, but Officers will provide a verbal update on progress at the meeting.
- 2.7 The achievement of this deadline has always partly been reliant on receiving finalised accounts in relation to the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) from Cornwall Council. Cornwall Council has also brought forward the preparation of their accounts and has provided the Council with the (TBTFJC) accounts in time to include them in the draft accounts. This year we have also had to consider the timelines for Delt and CaterEd and the Energy from Waste Partnership.

- 2.8 The Finance team will continue to strive to further improve the above timescales, with the ultimate aim of delivering the draft Statement of Accounts by the end of May. This has been reflected with a work-stream within the Finance Fit programme. During the last financial year the Finance team have been reviewing the current working practices and timelines, preparing working papers earlier (where possible), refining quality assurance techniques and widening both project management and technical expertise throughout the service.
- 2.9 The Code requires that events occurring after the balance sheet date, i.e. 31 March 2017, are considered in terms of their relevance to the Council's financial position for 2016/17. There is an obligation to ensure that any such events are properly reflected in the Statement of Accounts up to the date that the statement is 'authorised for issue' – the authorised for issue date. The authorised for issue date marks the point beyond which there can be no reasonable expectation that events could have been taken into consideration in the preparation of the Statement of Accounts. The Council has to disclose this date within the accounts and it has been decided that post balance sheet events up to and including the 1 June 2017 be considered for the draft accounts submitted for audit.

### **3. Key Changes to the Local Authority Accounting Code of Practice that affect the Statement of Accounts**

- 3.1 CIPFA publish the Codes of Practice on an annual basis and following the "Telling the Story" review of the presentation of local authority financial statements, the 2016/17 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement (CIES) and introduced a new statement called the 'Expenditure and Funding Analysis (EFA)'.
- 3.2 The change is presentational and does not have any financial impact on the Council.
- 3.3 The new statement will effectively replace the current note to the accounts relating to the previous 2015/16 Statement of Accounts, note 19 – 'Amounts Reported For Resources Allocation Decisions' and will have a more prominent position in the accounts (note 7).
- 3.4 The purpose of the new EFA statement is to show the differences between the amounts reported in the (CIES) and the amounts reported internally during the year and at the year-end in the Council's budget monitoring reports or management accounts.
- 3.5 One of the effects of the changes is that the service costs shown in the CIES will no longer be on a Service Code of Practice (SerCOP) basis. They will be shown by directorate on the same basis used in the management accounts.
- 3.6 The exact layout and presentation for the changes have been reviewed and updated and will be subject to approval by the Council's external auditors.
- 3.7 There are also changes to the code regarding what should be included in the Narrative Report. Further guidance is expected in the 2017/18 Code.

### **4. Post Balance Sheet Events (PBSE)**

- 4.1 Although the Statement of Accounts shows the financial outturn position for 2016/17 and Balance Sheet position as at 31 March 2017, the Council is required to take into account items occurring after 31 March 2017 if they would have a material impact on the accounts.
- 4.2 No post balance sheet events have been identified to date or included in the draft Statement of Accounts.
- 4.3 As the draft accounts were still being finalised at the time of publishing this report, it may not reflect the final PBSE position when the accounts are published at the end of June.

## **5. Progress against the 2015/16 ISA260 Report Action Plan**

- 5.1 The External Auditor's annual Governance Report (ISA260 Report), includes the findings on the annual accounts audit and an action plan to address key audit issues. **Appendix A** sets out the auditor's recommendations following the 2015/16 accounts audit and reports on the progress made to date regarding the related action plan.
- 5.2 Eight issues were reported in the action plan and these are shown below in **Appendix A**.

## **6. Conclusions**

- 6.1 The 2016/17 financial results for the authority have been established and reported significantly earlier than when compared to previous years.
- 6.2 Work is in-hand to produce the draft Statement of Account well in advance of the statutory deadline and this also represents a year on year reduction in timescales taken to undertake this year-end work. The Finance team have prepared a detailed work plan for the Statement of Accounts, have worked hard to bring forward key actions and deadlines and are committed to making further improvements to ensure that they achieve the earlier statutory deadlines for the 2017/18 Statement of Accounts.
- 6.3 The annual external audit is being carried out by BDO our external auditors and it commenced on the 12 June 2017; the period of public inspection of the accounts commences on 30 June 2017. The audited Statement of Accounts will be submitted to Audit Committee for approval at the 14 September meeting.
- 6.4 Officers are working to ensure that the auditor's action plan resulting from the 2015/16 final accounts audit is addressed where applicable.

## Progress against the 2015/16 ISA260 Auditor's Report Action Plan

## APPENDIX A

	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Implementation date &amp; responsibility</b>
<b>1.</b>	Review disclosure notes in the financial statements prior to publishing the draft statements on the website. Ensure that the review is performed by an individual who is not responsible for the production of the note. Ensure there are sufficient resources within the finance team for the final audit.	Significant Deficiency	We have already held two debrief sessions with senior finance management and finance staff to download what went well, what could have gone better and started the planning process for 2016/17 accounts. We recognise the need for improved QA. We have also discussed with you about PCC setting an internal publication date on which we will hand over the final draft set of accounts to BDO, this will ensure there are no movements or room for balances to change after the start of the audit We will start early discussions and engagement with BDO.	December 2016 Financial Controller
<b>2.</b>	A monthly reconciliation confirming payroll costs should be produced.	Significant Deficiency	It is not clear what this recommendation refers to. A detailed reconciliation is performed each month on Payroll transactions interfaced to the general ledger.	Ongoing 2017 BDO & Financial Controller
<b>3.</b>	Although this related to an immaterial lease, this does raise a concern over the maintenance of the lease information and therefore the accuracy of disclosures in the financial statements. Lease information should be reviewed periodically against supporting documentation to ensure that the list is complete and that there is supporting documentation for all leases included in the list.	Deficiency	The lease in question was for £50. Documentation available was supplied. We will ensure that all service areas undertake a complete review of the leases held.	January 2017 Financial Controller

4.	The policy for reviewing new contracts as they are entered onto the contracts register should be communicated to staff involved and there should be a review of the schedule periodically to ensure that it has been completed fully. Also, a test of this procedure on these contracts by IA (Internal Audit?) would also confirm appropriateness of the control.	Deficiency	The Procurement Team are responsible for reviewing new contracts for embedded leases. The Contracts Register is currently being reviewed and as part of this process we will highlight the importance of identifying embedded leases in the contract information we hold.	September 2016 Head of Procurement
5.	Update the fixed asset register to reflect the correct treatment of assets in the accounts so as to avoid the requirement to rely on memory and avoid potential complications.	Deficiency	We will be thoroughly reviewing the data provided for fixed assets as part of our closedown project for next year.	December 2016 Business Partner, Capital and Treasury Management
6.	Review issues raised by the BDO specialist and check that Council procedures address the point raised.	Deficiency	PCC Finance become aware of this report at our Director meeting mid August – we had no knowledge this work was commissioned. Having seen the report, we are working through the recommendations.	Ongoing HR Business Services Manager
7.	Access controls should be reviewed and leaver procedures updated to ensure that access rights are terminated promptly after a member of staff leaves the organisation.	Deficiency	We are currently working with HR to improve the information provided relating to staff changes and will be using this to update access controls regularly.	December 2016 Financial Controller
8.	When the Council is committing to underwriting an event or activity, a detailed risk assessment should be performed and a summary of this presented to Members who will approve the decision, with an appropriate reference in the decision minute. Following the event, where there has been a significant financial adverse variance, a paper explaining the reasons for the	Deficiency	This has been noted and financial risks will feature more prominently in future reports.	April 2016 Committee Services

	variance should be presented to Members.			
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