

## PLYMOUTH CITY COUNCIL

**Subject:** Statement of Accounts 2017/18  
**Committee:** Audit Committee  
**Date:** 31 May 2018  
**Cabinet Member:** Councillor Lowry  
**CMT Member:** Andrew Hardingham, Interim Strategic Director for Transformation and Change  
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**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 will be reported to Cabinet on 5 June 2018. 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 31 May 2018.

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 31 May 2018. The external audit will commence on 29 May 2018.

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 2016/17 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 2017/18 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 (26 July 2018) 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 5 June 2018

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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 2017/18

### 1. Introduction

- 1.1 The financial outturn for both the Council's revenue and capital activities for 2017/18 will be reported to Cabinet on the 5 June 2018. 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 2017/18 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 31 May each year (One month earlier than last year in accordance with the earlier closing timetable). 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 May.
- 1.4 Formal audit of the accounts for 2017/18 will commence on 29 May. The 30 working days period in which the Council has to make the draft accounts available for public inspection starts on 1 June. The audited Accounts will be presented to the next committee (26 July 2018) 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 2017/18 accounts. The relevant date for the draft Statement of Accounts has been set as 26 July 2018.
- 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 2016/17 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 2017/18 and progress to date

- 2.1 The statutory timetable relating to the production and publication of the final accounts has changed bringing forward the timetable for the closure of the accounts in respect of 2017/18 and subsequent financial years.

- 2.2 The Council is required to publish the unaudited statement of accounts by the 31<sup>st</sup> May 2018 (one month earlier than the publication date for the 2016/17 statement of accounts). This is prior to the period for the exercise of public rights which must include the first 10 working days of June. The regulations also require that local authorities in England publish their audited statement of accounts by 31 July 2018 (including on the authority's website) although there are provisions where the audit has not been completed by this date.
- 2.3 In line with CIPFA's recommendations, the Council has been in regular discussion over the last two years with its key stakeholders (including the Audit Committee) about the new accounts closure timetables. Officers have also been working closely with BDO (external auditors) on the revised deadlines.
- 2.4 The year-end timetable for both internal and external reporting (via the Statement of Accounts) of the 2017/18 financial results has been set as follows:-

Milestone	Key Date
Provisional Outturn report to CMT	10 April
Draft Outturn Report to Cabinet Members	5 June
Draft Statement of Accounts prepared	31 May
Final Accounts Audit Commences	29 May
Statutory deadline for Section 151 Officer to 'sign off' of draft Statement of Accounts	31 May
Period of Public Inspection	1 June to 12 July
Auditor's ISA260 report received and audited Statement of Accounts approved by Audit Committee	26 July
Statutory deadline for Section 151 Officer and Audit Committee to approve the audited Statement of Accounts	31 July

- 2.5 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 31 May deadline, but Officers will provide a verbal update on progress at the meeting.
- 2.6 The Code requires that events occurring after the balance sheet date, i.e. 31 March 2018, are considered in terms of their relevance to the Council's financial position for 2017/18. 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 26 July 2018 be considered for the draft accounts submitted for audit.

### **3. Key Changes to the Local Authority Accounting Code of Practice 17/18 that affect the Accounts for 2017/18**

3.1 The 2017/18 edition of the Code introduces new, or amended, accounting standards or reporting requirements in a number of areas including:

- A new principles-based approach to narrative reporting.
- A review of the Code's provisions on going concern reporting.
- A review of accounting policies provisions in the Code.
- New disclosure on transaction costs for pension fund investments.
- Narrow scope amendments to International Financial Reporting Standards.
- Legislative Changes.

3.2 As well as changes to the Codes of Practice, Officers will also be considering other documentation published by CIPFA which will have an impact on either 2017/18 or future years' accounts. Current developments include consultation documents and / or new publications on the following topics:-

- IFRS9 Financial Instruments: Recognition and Measurement.
- IFRS15 Revenue from Contracts with Customers.

### **4. 2016/17 Restatement**

4.1 The Council has restated its previously issued Statement of Accounts for 2016/17. There are two material restatements relating to the Pension Reserve and Capital Grants.

4.2 Following a review of the working papers for the Capital Grants & Contributions, it became apparent that capital grants received in advance, were incorrectly stated as having no outstanding terms and conditions and was therefore recognised as income in the CI&ES. This is the incorrect accounting treatment and capital grants received in advance cannot be recognised in the CI&ES until all T&C are satisfied. They have now been restated in the Balance Sheet as a long term creditor. *This is purely an accounting adjustment, the status of the grants are unchanged in real terms.*

4.3 The Pension Reserve has been restated due to the inclusion of additional pension guarantees for Delt and Livewell. Plymouth City Council has provided a guarantee to Livewell South West and Delt in respect of any deficit that may emerge in the future in respect of the benefits accrued prior to the transfer of staff to them. Livewell South West is therefore responsible for benefits accrued after 1 April 2015 and Delt is responsible for benefits accrued after the 1 April 2016.

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

5.1 Although the Statement of Accounts shows the financial outturn position for 2017/18 and Balance Sheet position as at 31 March 2018, the Council is required to take into account items occurring after 31 March 2018 if they would have a material impact on the accounts.

5.2 No post balance sheet events have been identified to date or included in the draft Statement of Accounts.

5.3 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 May.

## **6. Progress against the 2016/17 ISA260 Report Action Plan**

- 6.1 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 2016/17 accounts audit and reports on the progress made to date regarding the related action plan.
- 6.2 Six issues were reported in the action plan and these are shown below in **Appendix A**.

## **7. Conclusions**

- 7.1 The 2017/18 financial results for the authority have been established and reported significantly earlier than when compared to previous years.
- 7.2 The annual external audit is being carried out by BDO our external auditors and it commenced on the 29 May 2018; the period of public inspection of the accounts commences on 31 May 2018. The audited Statement of Accounts will be submitted to Audit Committee for approval at the 26 July meeting.
- 7.3 Officers are working to ensure that the auditor's action plan resulting from the 2016/17 final accounts audit is addressed where applicable.

Appendix A

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
For Civica financials, we noted a relatively high number of generic accounts and also “administrator” access being given to a relatively high number of people.	Potential weakness in control over access.	Management should review the number of generic accounts and also those individuals allocated administrator access.	From 750 users who can access the system we have five full access users which is not considered excessive.	N/A	N/A
For Civica, the password parameters were fewer than we would expect	Weakened access controls.	Review password parameters.	The password parameters have been strengthened	Carolyn Haynes	1 Jan 2017
Starters and leavers controls need to be formalised for Logotech	Weakened access controls.	Formalise leaver procedures.	There are only 5 users for this database and they have been with the Council for a number of years.	N/A	N/A
For Techforge, change management procedures should be reviewed to ensure an audit trail exists for all approved changes.	The controls to prevent unauthorised changes to the application need to be strengthened.	Formalise change procedures and ensure all changes can be checked against an authorised approval.	We will work with Delt to deliver improvements	Delt	31 Dec 2017
For Carefirst, the password complexity was weak.	Weakened access controls	Ensure passwords are more complex.	The password complexity has been strengthened for all users.	Delt/Carefirst	18 May 2018
For Itrent and Techforge, we note that lock-out only occurred after 30 failed attempts. This is a high number and should be reduced.	Weakened access controls	Reduce the number of failed password inputs before lock out occurs.	We will work with Delt to deliver improvements	Delt	31 Dec 2017