

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	1 st June 2017
Report of:	Director of Finance and Procurement
Subject/Title:	Draft Pre-Audit Statement of Accounts 2016/17
Portfolio Holder:	Councillor Paul Bates

1.0 Report Summary

- 1.0 This report provides a summary of the 2016/17 Statements of Accounts for the Cheshire East Group, consisting of Cheshire East Council and its wholly owned subsidiaries.
- 1.1 Information on the 2016/17 pre-audit statement of accounts, for the Cheshire East Group of Companies and for the single entity of Cheshire East Borough Council will be presented to the committee. This step is taken to provide committee members with an early summary of the accounts, which will help them in advance of any formal responsibility to approve the accounts.
- 1.2 This report confirms that the Council will publish, on its website, its pre-audit statement of accounts for year ended 31st March 2017, alongside its draft Annual Governance Statement, by the 30th June 2017 deadline.
- 1.3 The Council produces an Outturn Report for the year that reflects the Council's financial and non-financial performance. The report which includes the narrative to the Statement of Accounts, alongside additional information, will be reported to Cabinet on 13th June 2017.

2.0 Recommendations

- 2.1 Members' note the summarised position of the accounts for year ended 31st March 2017 based on the presentation provided at this meeting.
- 2.2 Members note the important dates in relation to the approval process for the statement of accounts.

3.0 Reasons for Recommendations

- 3.1 The Accounts and Audit Regulations 2015 require the Audit and Governance Committee to approve the statement of accounts after the external audit is completed and before the deadline of 30th September 2017.
- 3.2 To support this responsibility the Committee is provided with an overview of the key issues within the draft Statement of Accounts before the external audit work is completed. This allows committee members adequate time to scrutinise the statements ahead of the deadline for approval.

3.3 The deadline for reporting the Statement of Accounts is changing from 2017/18 when the deadline for producing the draft will be brought forward to 31st May and for the final audited version 31st July.

3.4 The Council made the decision to implement this earlier deadline from 2016/17; hence the draft accounts are presented to this Committee on 1st June and the final audited accounts will be presented for approval on 3rd August 2017.

1.0 Wards Affected

4.1 Not applicable.

1.0 Local Ward Members

1.1 Not applicable.

1.2 Policy Implications

1.3 None.

1.4 Financial Implications

1.5 The Statement of Accounts summarises the financial activities of the Council for the preceding financial year and its position at the year end. It summarises the Council's income and expenditure, assets and liabilities, and its level of reserves and indebtedness. As the statements are subject to external audit and opinion they present a key measurement of the overall financial performance of the authority. The statement of accounts is an important part of the Council's financial governance and stewardship arrangements.

1.6 Legal Implications

1.7 The regulations arising out of the Local Audit & Accountability Act 2014 (Accounts and Audit Regulations 2015) prescribe statutory provisions regarding the overall format and approval procedures for authorities' financial statements. The detailed format of the Statement of Accounts is laid out annually by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the form of the Code of Practice on Local Authority Accounting in the UK (the Code).

1.8 The pre-audit statement of accounts must be signed by the Council's Section 151 officer and published by the end of June following the financial year end. The pre-audit statements do not require committee approval, however it is deemed to be good practice to present the accounts to members before publication.

1.9 The Audited statements are to be approved by committee and published by the 30th September 2017.

1.10 Risk Management

- 1.11 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in a qualification of the accounts which may lead to further audit costs in future as well as an adverse impact on the Council's reputation.
- 1.12 **Background**
- 1.13 The Council continues to improve its performance in producing the Statement of Accounts; with the group statements being available for audit on 5th June 2017.
- 1.14 The Statement of Accounts for 2016/17 is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.15 In 2016/17 the main change in the Code's requirements which affect the Cheshire East Group of companies relates to the introduction of IAS1 Presentation of Financial Statements. This introduced the 'Telling the Story' review of the presentation of Local Authority financial statements. As a result the format of the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS) has changed and a new Expenditure and Funding Analysis has been introduced. The cost of services in the CIES is now reported on the basis of the Council's management accounts rather than the Service Reporting Code of Practice (SerCOP) headings.
- 1.16 The Group statements consolidate the accounts of: Cheshire East Council and six wholly owned subsidiaries (Ansa, Orbitas, TSS, EotN, Civicance, Skills & Growth Co); The accounts of a seventh wholly owned subsidiary (TPE), and one associate organisation (CWLEP), although part of the Group, are not consolidated on the grounds of materiality. This mirrors treatment of these organisations in 2015/16. The single entity statements for Cheshire East Borough Council will also be presented to the Committee for approval in August 2017.
- 1.17 The objective of the Statement of Accounts is to provide information about the organisation's financial performance that is useful to a wide range of interested parties. Its purpose is to give readers and stakeholders clear information about the Group's consolidated finances and to answer questions such as: what did services cost; where the money came from; what are the significant events this year; and what is the Group's net worth?
- 1.18 Members are not required to approve the pre-audit statement of accounts for the Group or for the Council as a single entity. But the Director of Finance and Procurement is providing the committee with an early indication of the key messages from these accounts before she signs them for publication. The Pre-Audit Statement of accounts will be published on the 30th June 2017 and the certified Statement of

Accounts will be published by the end of September, meeting all the statutory deadlines and reporting requirements.

1.19 Next steps

1.20 The Council's external auditors are Grant Thornton. Their formal audit will be completed by the end of July.

1.21 The Committee will receive independent reports from the auditors on 3rd August 2017 – including their opinion on the accounts and their value for money conclusion. The final audited Statement of Accounts will also be presented to this Committee for approval in time for publication by the deadline of 30th September 2017.

1.22 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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