

Audit Committee

31 July 2019

**Statement of Accounts for the year
ended 31 March 2019**

Ordinary Decision



Report of John Hewitt, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To seek approval of the council's statement of accounts for the financial year ended 31 March 2019.

Executive Summary

- 2 In accordance with the Accounts and Audit Regulations 2015, the draft (unaudited) statement of accounts for Durham County Council for the financial year ended 31 March 2019 was authorised by the responsible financial officer and published on the council's website on 31 May 2019.
- 3 The unaudited accounts were presented to Members of the Audit Committee on 28 June 2019.
- 4 On or before 31 July, approval needs to be given to the statement of accounts by resolution of the council's Audit Committee. This approval will take account of the views of the external auditor. Once approved, the statement of accounts must be formally published on the council's website.
- 5 The accounts have been subject to review by the external auditor (Mazars LLP). A number of amendments have been identified and have been included in the statement of accounts presented today.

- 6 The auditor intends to issue an unqualified opinion on the financial statements of the council and the Pension Fund. He has concluded that proper arrangements have been put in place to secure economy, efficiency and effectiveness in the council's use of resources. He is expected to formally conclude the audit and issue an audit certificate, upon completion of the audit work in relation to the Whole of Government Accounts consolidation pack, before 31 August 2019.

Recommendation

- 7 It is recommended that Members of the Audit Committee approve the statement of accounts for the council, including the Pension Fund financial statements, for the financial year ended 31 March 2019.

Background

- 8 The Accounts and Audit Regulations 2015 stipulate a two stage approval process for the statement of accounts. The first statutory deadline requires that the responsible financial officer, by no later than 31 May, signs and certifies that the statement of accounts presents a true and fair view of the financial position of the council for the year to 31 March previous, and its expenditure and income for the year to 31 March previous, subject to the views of the external auditor.
- 9 This stage was completed on 31 May 2019 and the draft accounts were presented to Members of the Audit Committee on 28 June 2019.
- 10 The second stage, as set out in the regulations, requires that on or before 31 July approval needs to be given to the statement of accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take account of the views of the external auditor. Once approved, the statement of accounts must be formally published on the council's website.
- 11 The external auditor has completed the audit of the statement of accounts and any amendments to the statement of accounts and the Audit Completion Reports are to be presented by the auditor to the Committee today.
- 12 During the audit, working in collaboration with the auditor, a number of amendments have been identified and have already been included in the statement of accounts presented today.

Statement of Accounts

- 13 The statement of accounts for the financial year 2018/19 has been prepared in accordance with the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the Accounts and Audit (England) Regulations 2015 and the Code of Practice on Local Authority Accounting 2018/19 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 14 The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 15 During the audit review of the draft statement of accounts, a number of 'misstatements' were identified which have since been amended. These are listed in Section 4 of the Audit Completion Report.
- 16 A number of changes have been made to the notes to the core financial statements to assist the reader's understanding of the document, to correct errors and ensure compliance with the requirements of the Code.
- 17 In addition, there was one 'non material misstatement' identified which remains unadjusted. This is also listed in Section 4 of the Audit Completion Report. As the unadjusted misstatement does not materially affect the accuracy/ integrity of the statement of accounts, no adjustment has been made for this item.
- 18 A separate Audit Completion Report has been provided for the Pension Fund. There were no material misstatements identified during the audit and only a small number of disclosure amendments were made to the accounts. There was one issue identified by the auditor which has not been adjusted for as it does not materially affect the accuracy/ integrity of the statement of accounts. These are listed in Section 4 of the Audit Completion Report for the Pension Fund.
- 19 The audit of the statement of accounts is due to be completed by 31 July 2019, therefore there may be additional findings during the time this report has been prepared and the reporting date. Should there be any they will be presented to the Committee on 31 July 2019.
- 20 Upon completion of the audit of the accounts, a "letter of representation" will be produced which will contain the reasons for not adjusting any items.
- 21 To help Members in reading and interpreting the contents, Appendix 2 to this report briefly explains the purpose of each section of the statement.

Audit Opinion

- 22 On completion of the audit of the accounts, auditors must give their opinion on the financial statements of Durham County Council and the Pension Fund, including:
- a) whether they give a true and fair view of the financial position of the council and the Pension Fund and their expenditure and income for the year in question; and
 - b) whether they have been prepared properly in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
- 23 The auditor can issue a 'qualified opinion' where he has some reservations or concerns, or an 'unqualified opinion' where he does not have any such reservations.
- 24 In addition, the auditor issues a 'value for money conclusion' which is the auditor's opinion on whether the council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources by considering one overall criterion set out by the National Audit Office. This can be found in Section 5 of the Audit Completion Report. This overall criterion is 'in all significant respects, the council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people'. This is made up of and is measured against the following three sub-criteria:
- a) Informed decision-making,
 - b) Sustainable resource deployment, and
 - c) Working with partners and other third parties.
- 25 For 2018/19, the auditor intends to issue an unqualified opinion on the accounts of the council and the Pension Fund accounting statements. He also concluded that proper arrangements have been put in place to secure economy, efficiency and effectiveness in the council's use of resources in the value for money conclusion.

- 26 The auditor can formally conclude the audit and issue an audit certificate upon completion of their audit work on the Whole of Government Accounts consolidation pack which is expected to be completed by 31 August 2019.

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Appendix 1: Implications

Legal Implications

Compliance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2018/19 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

Finance

This report details the financial position of the Council as at 31 March 2019.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

Once the audit of the accounts is completed a full "lessons learned" review will be undertaken to inform arrangements for the 2019/20 financial year end.

Procurement

None.

Appendix 2: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Narrative Report	3 - 23	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Statement of Responsibilities for the Statement of Accounts	24-25	Sets out the responsibilities of the council and the Corporate Director of Resources for the statement of accounts.
Independent Auditor's Report to Durham County Council	26 - 30	Once the audit is completed the Auditor's report will be signed.
Durham County Council Core Financial Statements		
Comprehensive Income and Expenditure Account (CIES)	31	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement	32	This statement shows the movement in the year on the different reserves held by the council analysed into 'usable' reserves and other reserves.
Balance Sheet	33	The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.
Cash Flow Statement	34	The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
Notes to the Core Financial Statements	35 - 142	The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.

Item	Pages	Explanation of Purpose and Content
Collection Fund	143 - 149	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Durham County Council Pension Fund Accounts	150 – 191	Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March. Notes providing further information follow the accounts.
Annual Governance Statement	192 - 210	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the council.
Glossary of Terms used in the Accounts	211 - 226	To assist readers in understanding terminology used in the statement of accounts.