

## **Audit Committee**

**31 July 2017**

### **Update on the Statement of Accounts for the year ended 31 March 2017**



---

## **Report of John Hewitt, Corporate Director Resources**

---

### **Purpose of the Report**

- 1 To update members on progress to date in respect of completion of the Council's Annual Statement of Accounts for the financial year ended 31 March 2017.

### **Background**

- 2 The 'Accounts and Audit Regulations 2015' stipulate a two stage approval process for the Statement of Accounts; the first stage is in June each year. The Regulations require that the responsible financial officer, by no later than 30 June 2017, 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, subject to the views of the External Auditor. This stage was completed on 31 May 2017 as part of our successful 'dry-run' for the early closure of accounts.
- 3 The second stage, as set out in the Regulations, requires that on or before the 30 September, approval needs to be given to the Statement of Accounts by resolution of a committee, which for Durham County Council is the Audit Committee.
- 4 This approval needs to take into account the views of the External Auditor, and with the agreement of our External Auditors, we were aiming to present the Statement of Accounts for 2016/17 for approval at the Audit Committee on 31 July 2017. This would have been in line with the statutory reporting deadline for completion of the External Audit in respect of the 2017/18 financial year and subsequent years.

### **Update – Current Position**

- 5 The External Auditor has substantially completed the audit of the Statement of Accounts in line with the early reporting deadlines and although there are a number of outstanding queries to resolve it was expected that the issues would all be resolved by the 31 July 2017, allowing the auditor to present his completion report and opinion on the accounts at this meeting.

- 6 A separate report prepared by the External Auditor on the issues arising from the External Audit and progress to date is included later in the Agenda.
- 7 It is anticipated that all outstanding issues identified by the External Auditor will have been resolved by 31 July 2017, with the exception of one significant matter. This will prevent the External Auditor from giving his final opinion on the accounts at this stage, as was originally envisaged.
- 8 During the external audit review, which has otherwise gone smoothly, the review of Property, Plant and Equipment values in the asset register has led to the requirement for additional testing of the source data used in the valuation of assets. This has arisen due to the fact that in the limited sampling done to date there were several errors / discrepancies in the floor areas used in the valuation of some of these assets.
- 9 Further work is now required on a larger sample of assets and it has not been possible to complete the additional work and undertake the external review of this information before 31 July, 2017.

### **External Audit Opinion**

- 10 The External Auditor can issue a 'qualified opinion' where he has some reservations or concerns, or an 'unqualified opinion' where he does not have any reservations.
- 11 In order to secure an 'unqualified opinion' by the statutory deadline of 30 September 2017 plans have been put in place to ensure further sampling and testing is done to satisfy myself and the External Auditor that the figures in the Statement of Accounts present a 'true and fair view' of the financial position of the Council.
- 12 The results of the additional work required will help inform the lessons learned from the attempted 'dry-run' to ensure the statutory early closure deadline on 31 July can be achieved in 2017/18.

### **Recommendation**

- 13 The Audit Committee notes the issues arising from the External Audit, which has prevented the completion of the Statement of Accounts process for the year ended 31 March 2017 in line with the planned dry run early closure requirements this year.
- 14 That Audit Committee notes that the Statement of Accounts for the financial year ended 31 March 2017 will be finalised / presented to the meeting on 29 September 2017 for approval.

---

## **Appendix 1: Implications**

---

### **Finance**

This report relates to the External Audit of the Statement of Accounts for the year ended 31 March 2017. The figures included in the Statement of Accounts must represent a true and fair view of the Councils financial position and the External Audit testing and opinion on these figures is a significant part of the process.

### **Staffing -**

The additional sampling of asset values / floor areas will provide additional evidence to inform whether the values in the Council Balance Sheet reflect a true and fair view of their value. The additional evidence will be collated from within existing resources.

### **Risk -**

The statutory reporting deadline for approval of the Statement of Accounts is 30 September, 2017 this year. The Council has been undertaking a dry run in line with the earlier closure deadline of 31 July, which will apply from next year. Unfortunately, it has not been possible to complete the audit testing of the asset values to the satisfaction of the external Auditor at this stage, which has delayed the issuing of the opinion on the accounts. It is anticipated that the additional testing will provide that assurance on the accounts and / or provide the time to make adjustments to the accounts in advance of the statutory reporting deadline this year.

Once the audit of the accounts is completed a full "lessons learned" review will be undertaken to inform arrangements for the 2017/18 year end. This will include meetings with the External Auditor with regards to the ordering of audit testing, the Councils response to queries raised etc.

### **Equality and Diversity -**

None

### **Accommodation -**

None

### **Crime and Disorder -**

None

### **Human Rights -**

None

### **Consultation -**

None

**Procurement -**

None

**Disability -**

None

**Legal Implications -**

The 'Accounts and Audit Regulations 2015' stipulate a two stage approval process for the Statement of Accounts; the first stage is in June each year. The Regulations require that the responsible financial officer, by no later than 30 June 2017, 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, subject to the views of the External Auditor.

The second stage, as set out in the Regulations, requires that on or before the 30 September, approval needs to be given to the Statement of Accounts by resolution of a committee, which for Durham County Council is the Audit Committee.

.