

Subject:	Audited Statement of Accounts 2018/19		
Date of Meeting:	(Insert Date)		
Report of:	Executive Director for Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 01273 293104
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Ward(s) affected:	(All Wards);		

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least 5 days in advance of the meeting) were that there were a number of queries in relation to the audit of the accounts requiring resolution before the audit could be concluded.

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report provides information about the audit of the council's 2018/19 Statement of Accounts and recommends approval of the 2018/19 audited accounts and the Letter of Representation on behalf of the council. The report accompanies the Annual Governance Statement which is to be considered as a separate item on the Committee agenda.
- 1.2 Under the Accounts and Audit Regulations 2015, the council's accounts for 2018/19 must be approved by Members by the 31 July 2019. Under the council's Constitution, the Audit & Standards Committee is charged with this responsibility.
- 1.3 The council's external auditors for 2018/19 are Grant Thornton (previously EY), who are required to give assurance that the accounts are free from material misstatement and to report significant matters arising from the audit. Grant Thornton will be presenting their findings to this Committee through the Audit Findings Report elsewhere on this agenda, after which they will be able to issue their audit opinion and the accounts will be published.
- 1.4 This report presents the updated 2018/19 accounts following the outcome of the audit process. It outlines any amendments made to the accounts and provides assurances in relation to the preparation of the accounts. It also informs the committee of the outcome of the public inspection of the accounts. Copies of the final accounts are available in the Members' rooms and on-line.

2. RECOMMENDATIONS:

That the Audit & Standards Committee:

- 2.1 Notes the findings of the auditor (Grant Thornton) in their Audit Findings Report (AFR). The AFR is a separate item on this agenda.

- 2.2 Notes the results of the public inspection of the accounts (Section 5).
- 2.3 Approves the Letter of Representation on behalf of the council (Appendix 1).
- 2.4 Approves the audited Statement of Accounts for 2018/19.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 3.2 It is a requirement that the annual accounts be prepared as soon as practicable after the end of the financial year and considered and approved by a resolution of the committee charged with governance or the Full Council by the 31 July. Therefore, the accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit and by the 31 July.

Format of the Accounts

- 3.3 Clearly, local authority accounts are not viewed from a commercial perspective, for example, in terms of an authority's attractiveness for possible merger or acquisition. However, local authorities are viewed in terms of their financial resilience, effective financial management and general viability (going concern). The purpose of the accounts therefore is to provide information to a wide range of stakeholders and the general public about the financial position, financial performance and cash flows of the council and to provide answers to basic questions such as:
 - What did the council's services and capital programme cost in 2018/19?
 - Where did the money come from?
 - What does the council own?
 - What commitments and liabilities does the council have and what provisions and reserves has the council set against these?
 - What amounts were due and what was owed at the end of the financial year?
- 3.4 In accordance with the Accounts and Audit Regulations, the accounts include:
 - The Narrative report;
 - Statement of Responsibilities;
 - The Expenditure and Funding Analysis (EFA);
 - Core financial statements (Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MiRS), Balance Sheet and Cash Flow Statement);
 - Supplementary statements (Housing Revenue Account and Collection Fund);
 - Notes to the accounts; and
 - Accounting policies.

- 3.5 The narrative report aims to offer interested parties a more readable guide to the most significant matters reported in the accounts. A brief commentary on the key aspects of the 2018/19 accounts is included in Appendix 2 to this report.
- 3.6 The statements would normally comprise both “Single Entity Accounts”, which are in respect of wholly council controlled activities, and “Group Accounts” in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. The requirement for the preparation of Group Accounts in 2018/19 has been considered for the Housing Joint Venture collaborative arrangement with Hyde Housing and it was concluded that there are no material transactions in the 2018/19 financial year that would require Group Accounts. The preparation of Group Accounts in 2019/20 will need to be considered again in this regard.
- 3.7 Grant Thornton has completed their work on the audit of the accounts and will be reporting their findings separately to this Committee through the Audit Findings Report (AFR). Following this report, Grant Thornton will normally be able to issue their audit opinion and the accounts will be published.

Preparation of the Accounts

- 3.8 The council is required to prepare its accounts on an International Financial Reporting Standards (IFRS) basis 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); the 2018/19 accounts cover the period 1 April 2018 to 31 March 2019. There has been no deviation from the requirements of the Code and all accounting policies adopted by the council for the 2018/19 accounts are in line with the requirements of the Code.
- 3.9 There were no follow up actions from audit recommendations contained in the external auditor’s AFR for 2017/18 requiring consideration for the preparation of the 2018/19 accounts.
- 3.10 For 2018/19 there are two significant changes in reporting requirements under the Code of Practice. Accounting policies have been updated for the following:
- IFRS 9 – Financial Instruments (classification and measurement of financial assets and financial liabilities);
 - IFRS 15 – Revenue from Contracts with Customers (principles about the nature, timing and uncertainty of revenue and cash flows from contracts with customers).
- 3.11 The accounts have been prepared by appropriately qualified and trained council officers who have undertaken appropriate training on the requirements for preparing local government accounts. Finance officers involved in the preparation of the accounts attend regular training and/or workshops to ensure an up to date knowledge and continuous professional development.
- 3.12 Officers have made reference to CIPFA’s practitioner’s guidance notes, disclosure checklists and other technical guidance in preparing the accounts to ensure compliance with all statutory and other regulatory requirements. Officers

have also liaised closely, during the preparation of the accounts, with Grant Thornton over the proposed accounting treatment of the key changes affecting the 2018/19 accounts.

- 3.13 In preparing the accounts, the council makes a number of critical judgements, accounting estimates and assumptions; the details are disclosed in Note 3 of the accounts.
- 3.14 As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers within Finance. Following this review, the accounts were then approved by the Chief Finance Officer to be issued for public inspection and audit. Evidence of this review formed part of the working papers produced for Grant Thornton.
- 3.15 During the accounts audit process, officers liaised closely with Grant Thornton in respect of audit queries and worked closely to ensure successful resolution of these queries as expediently as possible. During the audit of the 2018/19 accounts, there have been no disputes between council officers and Grant Thornton in relation to the required amendments to the accounts.

Audit of the Accounts

- 3.16 Grant Thornton has completed the audit of the council's accounts and reports its findings and recommendations in its Audit Findings Report which forms a separate item of this Committee's agenda. Grant Thornton are responsible for:
- Forming an opinion on the financial statements;
 - Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources.
- 3.17 Compilation of the financial statements relies on data extracted from the financial systems, including those systems which interface into the financial system. It is therefore important for Grant Thornton to be satisfied that these systems have adequate controls in place so that assurance can be given on the integrity of the information held within them.
- 3.18 During the course of the audit, Grant Thornton identified some misclassifications and disclosure changes which have been amended.
- 3.19 The AFR for 2018/19 states that an unqualified audit opinion is expected to be issued and that the council has proper arrangements in place to secure value for money in its use of resources.

Annual Governance Statement

- 3.20 It is a requirement that the Annual Governance Statement (AGS) is approved annually with the financial statements. The AGS 2018/19 is to be considered as a separate item on the Committee agenda.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Under the Accounts and Audit Regulations 2015, the council's 2018/19 accounts are to be approved by the Chief Finance Officer by 31 May and following the audit process are to be approved by Members by 31 July each year. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility.
- 4.2 After the accounts have been made available for public inspection, alterations to the accounts may only be made with the consent of the external auditor, Grant Thornton. The alterations in this case have received their consent.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Members of the public, in accordance with the Accounts and Audit Regulations 2015, are granted access for a period of 30 working days to the council's unaudited accounts and are invited to enquire on any aspect of these accounts. If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the accounts with Grant Thornton.
- 5.2 The accounts were available for public inspection in council offices or on the council's web site from 1 June to 12 July. The council received three enquires as part of the public inspection process.

6. CONCLUSION

- 6.1 It is a statutory requirement of the Accounts and Audit Regulations 2015 that the council's 2018/19 accounts should be approved by Members by the 31 July 2018 and published by the same date.
- 6.2 Grant Thornton have carried out their audit of the 2018/19 accounts and have reported their findings and recommendations arising from the audit of the accounts as a separate item on this agenda. The main changes resulting from the audit are included in the Audit Findings Report to ensure members are aware of the changes to the accounts agreed with Grant Thornton prior to their approval.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial implications are included in the body of the report.

Finance Officer Consulted: Ross Sutton

Date: 9/07/19

Legal Implications:

- 7.2 The legal framework for approving the council's statement of accounts is provided by regulation 9 of the Accounts and Audit Regulations 2015 (statutory instrument 2015/234), relevant details of which are set out in the body of the report.

- 7.3 The Regulations permit either Full Council or a committee of the council to approve the statement of accounts. At Brighton & Hove Council, the Audit & Standards Committee is the designated committee for this purpose.

Lawyer Consulted: Elizabeth Culbert

Date: 19/07/19

Equalities Implications:

- 7.4 There are no equalities implications arising directly from this report. The accounts are a statutory publication and were made available for public inspection at the council's main offices and on the council's website. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

Sustainability Implications:

- 7.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's financial control framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Any Other Significant Implications:

- 7.6 The quality of a public authority's accounts is of reputational importance and where the auditor gives an unqualified opinion, citizens, partners and other stakeholders can be assured that the accounts present fairly the financial position of the council.

SUPPORTING DOCUMENTATION

Appendices:

1. Letter of Representation
2. Commentary on the Accounts
3. Statement of Accounts (copy circulated to Members and published to the council website alongside the agenda)

Documents in Members' Rooms

1. None

Background Documents

1. Audited Statement of Accounts 2018/19