

## HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title:</b>	Approval for Publication of the 2017/18 Annual Governance Statement and the Annual Financial Report
<b>Meeting/Date:</b>	Corporate Governance Committee – 26 July 2018
<b>Executive Portfolio:</b>	Strategic Resources: Councillor J A Gray (Deputy Executive Leader)
<b>Report by:</b>	Head of Resources
<b>Wards affected:</b>	All Wards

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### Executive Summary:

The Council is required by statute to produce both an Annual Governance Statement (AGS) and an Annual Financial Report (AFR). Both of these documents are produced in line with statutory regulations and are required to be approved by 'those charged with governance' and published by 31 July.

In order to approve the accounts the Committee must:

- Consider the Auditors Report (Audit Results Report) (paragraph 3) which comments on the auditor's findings on the Annual Finance Report and their view on Value for Money. Both the Annual Finance Report and the Value for Money position of the Council are expected to receive an unqualified audit opinion. At the time of writing the Auditors Results Report at Annex A is still provisional as the audit is still ongoing.
- Approve the Annual Governance Statement (paragraph 4) which includes the following themes:
  - Housing affordability
  - Morbidity/growing number of years of ill health
  - Wider economic environment
  - Skill levels and educational attainment
  - Partner agency operational pressures
- Approve the Letter of Representation (paragraph 5)
- Approve the Annual Financial Report (paragraph 6)

### Recommendations:

1. Receives the Auditors Results Report (**Annex A**)
2. Approve the Annual Governance Statement (**Annex B**) and authorises the Executive Leader and Managing Director to sign the Statement on behalf of the Council.
3. Approves the Letter of Representation (**Annex C**) and authorises the Head of Resources (as Section 151 officer) to sign it on behalf of the Council.
4. Give delegated powers to the Chairman of the Committee and Head of Resources (as Section 151 officer) to authorise and sign the Annual Financial Report (**Annex D**) on behalf of the Council subject to the auditors confirming an unqualified opinion on the AFR 2017/18.

## 1. PURPOSE OF THE REPORT

- 1.1 To complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) and Annual Finance Report (AFR) for 2017/18.

## 2. BACKGROUND

- 2.1 The Corporate Governance Committee is designated as 'those charged with governance' and consequently it is required to approve both the AGS and AFR prior to publication by the statutory deadline of 31 July. To do this the Committee needs to follow the stages in the order shown in the report.

## 3 RECEIVING THE AUDITORS REPORT (AUDIT RESULTS REPORT)

- 3.1 At the time of writing the report the audit is not yet complete with the auditors having some final queries to resolve to enable them to approve the accounts. An up to date position will be reported at the Committee however the auditors anticipate that the audit will be concluded by the 31 July providing all queries and audit review procedures are completed in time.

- 3.2 The Audit Results Report will be presented to the meeting by the auditors and a draft is attached at **Annex A**. The auditors will verbally update the Committee at the meeting of any further changes since the issuing of the report.

- 3.3 There were 3 issues raised as 'Control Observations' by the auditors within the Audit Results Report in respect of the AFR for 2016/17 which related to:

- Accounting records
- Timeliness of deliverables
- Reliance on key personnel

- 3.4 This year's Audit Results Report updates their opinion on the above matters stating:

"We have seen leadership, commitment and engagement from management in addressing the issues arising from the prior year audit. The Council's finance team has invested in enhancing working papers and ensured that the accounts and audit process has been delivered alongside the implementation and migration to a new finance system.

In particular, we have not had any significant issues with debtors and creditors working papers or the mapping of the general ledger to the financial statements.

We have seen a general improvement in the working papers and provision of evidence, and there has been a high degree of partnership working between both the finance team and us.....

We no longer consider these matters to be significant control deficiencies but recommend the Council continues to enhance their closedown process"

3.5 However, within the same commentary their report makes the following observations:

“Whilst we have seen a significant improvement which should be commended, we have still experienced some issues with the following areas:

- Agreed timescales for the provision of evidence and query resolution have not always been met in certain areas of the audit. This has created some pressures on the close down of areas of the audit.
- A bank reconciliation as at 31 March for one of the Council’s accounts has not been completed
- We have seen an increase in the level of issues within fixed assets, particularly in relation to the reconciliation of the information provided by the Council’s valuer to the fixed asset register.”

3.6 In addition to reviewing the AFR, the auditors are required to give a view on Value for Money within the Council. The auditors anticipate an unqualified opinion in respect of the Value for Money conclusion.

#### **4. APPROVE THE ANNUAL GOVERNANCE STATEMENT**

4.1 The Committee, on behalf of the Council is required to review once a year the effectiveness of its system of internal control and following that review approve the AGS. The AGS will be published alongside the AFR and is shown at **Annex B**.

4.2 A copy of the draft AGS has been previously circulated to all Committee members and no comments have been received.

4.3 The governance statement includes 5 significant themes:

- Housing affordability
- Morbidity/growing number of years of ill health
- Wider economic environment
- Skill levels and educational attainment
- Partner agency operational pressures

4.4 These issues notwithstanding, the governance arrangements and the internal control environment are considered to be operating effectively.

#### **5 APPROVE THE LETTER OF REPRESENTATION**

5.1 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate; a draft of the letter is attached as **Annex C**. It is ‘best practice’ for the Committee to approve the content of this letter and then authorise the Head of Resources to sign it on behalf of the Council.

5.2 The Committee is asked to agree the draft letter and once the external auditor has confirmed that both the AGS and AFR are unqualified, that the Head of Resources to sign it on behalf of the Council.

## **6 APPROVE THE ANNUAL FINANCIAL REPORT**

- 6.1 The Council is required to produce and approve by the 31 May the Draft AFR, which incorporates the Statement of Accounts. Then by 31 July 'those charged with governance' are required to approve and the Council is required to publish the AFR; a copy is attached at **Annex D**. The copy currently attached at **Annex D** is the draft AFR which could still be subject to amendment as a consequence of audit.
- 6.2 The Committee is asked to approve the AFR, which includes the Statement of Accounts. Once the external auditor has confirmed that the AFR is unqualified, then the report will be signed on behalf of the Council.
- 6.3 The issues that have been raised by the auditor in respect of the AFR are detailed within Section 3 of this report and Section 7 of the Auditors' Results Report.

## **7 KEY IMPACTS**

- 7.1 Paragraph 3 above outlines the control observations and the associated management comments.

## **8 LINK TO THE CORPORATE PLAN**

- 8.1 Ensuring we are a customer focused and service led Council – to become more business-like and efficient in the way we deliver services. The production of the AFR is also a statutory requirement.

## **9. CONSULTATION**

- 9.1 In line with the Account and Audit regulations the AFR was available for inspection from 1 June to 12 July 2018.

## **10 LEGAL IMPLICATIONS**

- 10.1 There are no direct legal implications arising from this report.

## **11 RESOURCE IMPLICATIONS**

- 11.1 There is a specific budget for the Audit Fees.

## **12 REASONS FOR THE RECOMMENDED DECISIONS**

- 12.1 The process that has been followed in preparing the AGS and the AFR has been thorough and in line with statutory regulations.
- 12.2 The issues that have been identified for inclusion within the AGS are referenced within the statement and are a reflection of the current situation.
- 12.3 Both the AGS and the AFR have been subject to external audit and review by the Council's auditors, Ernst and Young LLP.

## **LIST OF APPENDICES INCLUDED**

Annex A – Auditors Report – Audit Results Report  
Annex B – 2017/18 Annual Governance Statement  
Annex C – Draft Letter of Representation  
Annex D – 2017/18 Annual Financial Report (Draft)

## **BACKGROUND PAPERS**

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