

AUDIT PANEL			
Report Title	Pre-Audit Statement of Accounts 2017/18 and Annual Governance Statement		
Key Decision	No		Item No. 4
Ward	All		
Contributors	Executive Director for Resources and Regeneration		
Class	Part 1	Date: 12 <sup>th</sup> July 2018	

## 1 SUMMARY AND PURPOSE

- 1.1 To review and comment on the pre-audit Statement of Accounts for 2017/18 and the draft Annual Governance Statement.

## 2 EXECUTIVE SUMMARY

- 2.1 The Council is not required by law to obtain elected Members' approval of its pre-audit accounts. However, given the importance of the document, and its complexity, officers are of the view that it is appropriate to present them to the Audit Panel.
- 2.2 Accordingly, the pre-audit Statement of Accounts for 2017/18 is attached as Appendix 1 to this report and the draft Annual Governance Statement (AGS) is attached as Appendix 2. (The pre-audit Pension Fund accounts are also included as part of Appendix 1.)
- 2.3 The summary of net expenditure against budgets for 2017/18 will be reported to Mayor & Cabinet on 11<sup>th</sup> July 2018.

## 3 RECOMMENDATION

- 3.1 To note this report and the appended documents.

## 4 UNDERSTANDING THE ACCOUNTS AND THEIR PREPARATION

- 4.1 The pre-audit accounts have been prepared by officers and were submitted to the external auditors Grant Thornton on 31<sup>st</sup> May 2018, in accordance with the official (statutory) deadline. The pre-audit Pension Fund accounts were presented to the Pensions Investment Committee on 28<sup>th</sup> June 2018.
- 4.2 Within the Statement of Accounts there are four statements which are defined as "core financial statements", which essentially means that they are fundamental to understanding the accounts. A short commentary on each of these is set out below.

### ***Comprehensive Income and Expenditure Statement (CIES)***

- 4.3 The CIES sets out the total expenditure by the authority in the 2017/18 financial year, some £1.0bn. The format of the CIES is consistent with the Council's management accounts, being based on the Directorate structure.

### ***Movement in Reserves Statement (MiRS)***

- 4.4 This shows the movement in the year in the different reserves held by the Council, analysed into 'usable' which can be used to fund expenditure and 'unusable' which are technical and cannot be used to fund expenditure. This summarises the available resources that can be used to fund future expenditure and to manage financial risks.

### ***Balance Sheet***

- 4.5 The balance sheet reports the 'total equity' of the Council, and shows that it is around £1.76bn as at 31<sup>st</sup> March 2018 compared with £1.46bn as at 31<sup>st</sup> March 2017.

### ***Cash Flow Statement***

- 4.6 The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the 2017/18 financial year. This statement is more valuable to understanding the financial health of private companies rather than local authorities, since most local authority funding comes either from government grants or from local property taxation.

### ***Other Statements***

- 4.7 Members' attention is also drawn to the following financial statements, which although not technically defined as "core financial statements" are very important to understanding key aspects of local authority services and financing.
- The Housing Revenue Account (HRA) which presents the financial transactions relating to the provision of council housing; and
  - The Collection Fund which presents a summary of the collection of Council Tax and Non-Domestic Rates (NDR).
- 4.8 The accounts also provide substantial detail by way of notes and other statements. In particular, Members may find the following helpful to their understanding of the financial position of the authority:
- Note 1 to the core financial statements – the Expenditure and Funding Analysis demonstrates how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates
  - Notes 14 and 16 to the core financial statements, which disclose the debtors to and creditors of the Council as at 31<sup>st</sup> March 2018
  - Note 9 to the core financial statements, which discloses the level of earmarked revenue reserves and the purposes for which these are held.
- 4.9 The format of the accounts is essentially prescribed by statute and associated regulations. As a result, the document is long and detailed. Members may have questions that they wish to pose to officers on points of detail. Appropriately qualified officers will attend the meeting on 12<sup>th</sup> July 2018 to respond to these questions and issued raised. However, given the level of detail contained in the Statement of Accounts it is possible that some questions of detail may not be capable of being fully answered at the meeting. If Members have such questions,

they are asked to submit them to [paul.calnan@lewisham.gov.uk](mailto:paul.calnan@lewisham.gov.uk), ideally at least 24 hours before the meeting.

- 4.10 In considering the 2017/18 accounts, it was concluded that for the second year running full consolidated group accounts were required on the grounds of materiality. The group accounts are an amalgamation of the Council's own 'single entity' accounts with those of our subsidiaries – Lewisham Homes & Catford Regeneration Partnership Ltd.

## **FINANCIAL IMPLICATIONS**

- 5.1 The accounts are a financial document and present a picture of the Council's activities in 2017/18 and its assets and liabilities as at 31<sup>st</sup> March 2018. However, there are no financial implications directly arising from the Panel considering the pre-audit accounts.

## **6 LEGAL IMPLICATIONS**

- 6.1 Under the Accounts and Audit Regulations 2015 (the Regulations), local authorities are not required to obtain elected Members' approval of their pre-audit accounts. However, the Regulations do require local authorities to have elected Members, by way either of a duly constituted committee or by the Full Council, to approve the final audited accounts, having considered the auditor's report thereon.
- 6.2 The Regulations also require that the draft accounts are approved for issue by 31<sup>st</sup> May, following the year end by the Responsible Finance Officer under s151 of the 1972 Act. In Lewisham, that responsible officer is the Executive Director for Resources and Regeneration.
- 6.3 Public Inspection of the draft accounts is also a requirement of the Regulations. This runs from 1<sup>st</sup> June to 12<sup>th</sup> July 2018, and is publicised on the Council's website. No objections to the draft accounts have been received to date.

## **7 OTHER IMPLICATIONS**

- 7.1 There are no direct equalities, environmental or crime and disorder implications arising from this report.

## **APPENDICES**

Appendix 1 – Pre-Audit Statement of Accounts 2017/18 (incl. Pension Fund)

Appendix 2 – Annual Governance Statement (AGS) 2017/18

## **BACKGROUND PAPERS**

Financial Results 2017/18 (Mayor & Cabinet meeting 11<sup>th</sup> July 2018)

### **For further information on this report please contact:**

Selwyn Thompson, Head of Financial Services, on 020 8314 6932

Paul Calnan, Acting Group Finance Manager – Core Accounting, on 020 8314 6167

Terry Madgett, Principal Accountant – Core Accounting on 020 8314 7650