



<u>Committee and date</u>
Audit Committee
22 nd February 2017

<u>Item</u>
Public

CHANGES TO APPROVAL PROCESS FOR STATEMENT OF ACCOUNTS

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1. Summary

- 1.1 This report outlines the necessary amendments required to the timescales and process for the production and approval of the Statement of Accounts in 2017/18 to take account of the faster closedown agenda introduced in the Accounts and Audit Regulations 2015.

2. Recommendations

- 2.1 The Committee are asked to consider and endorse, with appropriate comment, the amendments proposed to the process for reviewing and approving the Statement of Accounts from 2017/18 onwards.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The Audit Committee has a core function to review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit. The involvement of Audit Committee in the statement of accounts review process provides assurance of the integrity of the financial reporting and annual governance of the Council
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

- 4.1 There are no direct financial implications from making the necessary amendments required under the Accounts and Audit Regulations 2015.

5. Background

- 5.1 The Accounts and Audit Regulations 2015 introduced specific changes for all local authorities in their deadlines for producing, reporting and approving the statement of accounts to be introduced for the 2017/18 financial year. As a result of these changes all local authorities are now required to approve and publish the draft statement of accounts by 31st May, and publish and approve the audited statement of accounts by 31st July. This brings forward the timetable for finalising the accounts by 2 months as shown in the table below:

	Current Timetable	New Timetable
S151 officer approves and published draft Statement of Accounts	30 th June	31 st May
External Audit	July – September	June – July
Audited Statement of Accounts approved and published	30 th September	31 st July

- 5.2 The Finance team have been making necessary adjustments to prepare for this earlier closedown and in 2015/16 had a first dry run of the earlier process, and plan for a second dry run for the 2016/17 accounts.

6. Changes Required to Committee Involvement

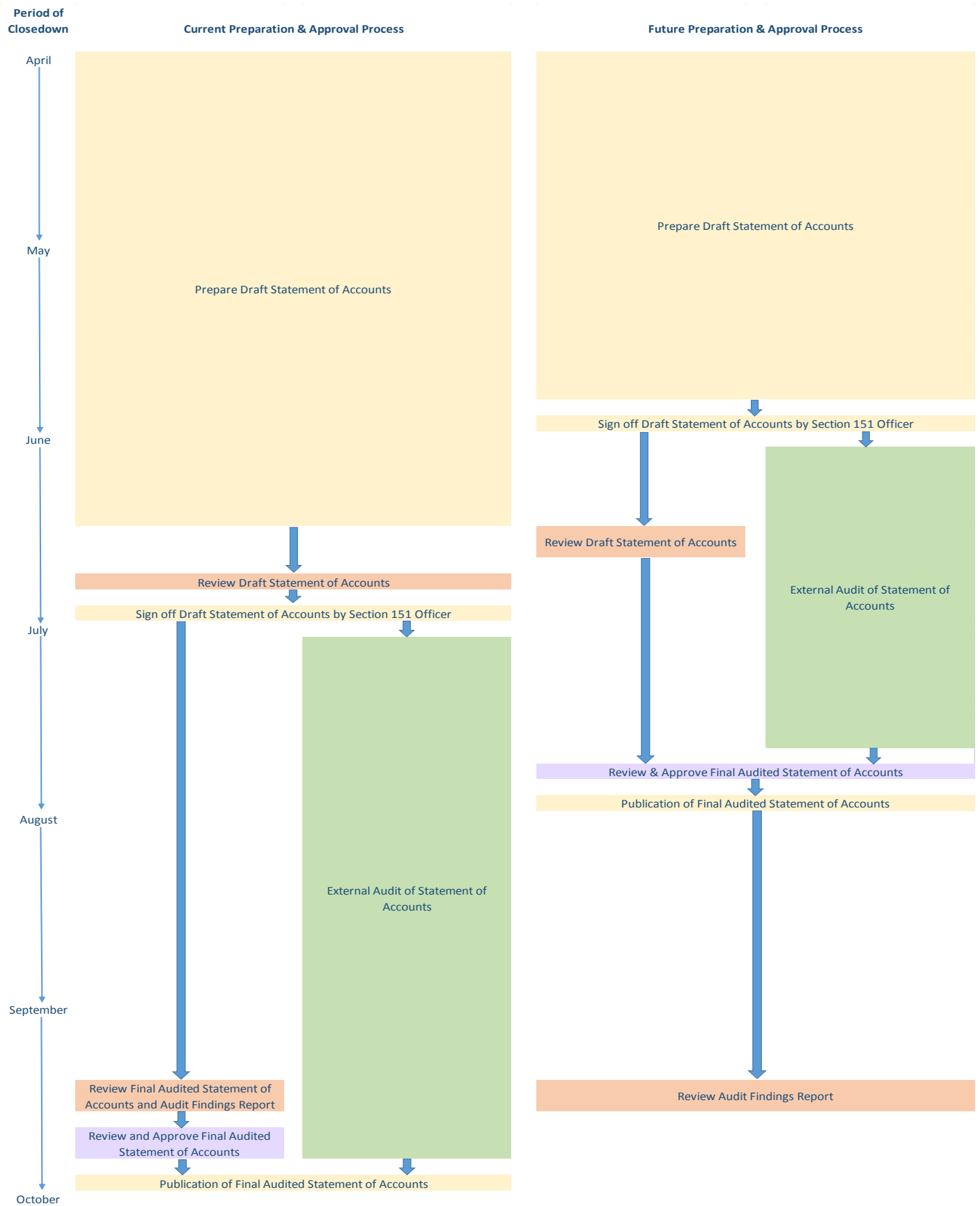
- 6.1 One of the core functions of an Audit Committee is to “review the financial statements, external auditor’s opinion and reports to members, and monitor management action in response to the issues raised by external audit”. This has been achieved in previous years by reporting the draft Statement of Accounts to Audit Committee prior to approval by the Section 151 Officer in order that members can review the accounts, challenge significant movements in the accounts and request further amendments or disclosures to be considered. This review has proved to be a valuable process over the years and demonstrates the important role that Audit Committee provide when discharging this core function.
- 6.2 Due to the tighter timescales required to produce the Statement of Accounts in future, it is proposed that there is a change to the timing of when Audit Committee receive the draft Statement of Accounts, however it is still considered important that Audit Committee play a pivotal role in reviewing the draft statement of accounts. Therefore, it is now proposed that the draft accounts will be prepared and approved by the Section 151 Officer by 31st May, and at this point circulated to the Audit Committee members. A meeting will then be schedule for June, as per the previous calendar of meetings, for members to review in detail the Statement of Accounts and understand key

movements as in previous years. Any changes highlighted as necessary as part of this review can then be fed into the final statement of accounts alongside any audit changes identified.

- 6.3 The Accounts and Audit Regulations 2015 require the statement of accounts to be considered and approved by a resolution of the relevant committee or full council meeting. For Shropshire Council, the Full Council take on this responsibility and formally approve the audited accounts in the September Council meeting.
- 6.4 For 2017/18 onwards this approval process by Council will need to be brought forward to July to enable the audited statements to be published by the 31st July.
- 6.5 In light of bringing this approval meeting forward, it is no longer viable for Audit Committee to receive and consider the audited statement of accounts prior to the Council meeting. Instead, it is proposed that the Audit Committee receive only the external audit findings report in the September Audit Committee to consider in detail the findings of the audit and the management responses made. This will ensure that the Audit Committee is still fulfilling its core objectives as well as allowing the Council to meet the shorter deadlines required from the Accounts and Audit Regulations 2015.
- 6.6 A full flowchart is documented at Appendix 1 that shows the current production and approval processes adopted and those proposed for 2017/18 and future years.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Mike Owen (Portfolio Holder for Resources, Finance and Support) and Brian Williams (Chairman of Audit Committee)
Local Member
Appendices Appendix 1 - Flowchart of Current and Future Preparation & Approval Process of Statement of Accounts

Flowchart of Current and Future Preparation & Approval Process of Statement of Accounts



- Key:**
- Process by Officers
 - Review by Audit Committee
 - Review by Council
 - External Audit