



## **Statement of Accounts 2015/16 – November Progress Report**

### **SUMMARY**

- 1.1 This report updates the Committee on the progress of the 2015/16 Statement of Accounts and should be read in conjunction with the Interim Annual Governance Statement Update and the November External Audit Progress Report on the same agenda.
- 1.2 As reported to the September 2016 Audit and Accounts meeting, the Committee were updated on the delay to the statement. This was due to be considered for approval by 30 September 2016, but due to ongoing issues has yet to be finalised.
- 1.3 External Audit – Ernst & Young (EY) – are still in the progress of completing their audit.
- 1.4 Work to present asset valuations for testing is programmed for 1 December 2016. A testing process will follow and is planned for completion in January 2017.
- 1.5 A timetable has been drafted for completion of the 2015/16 accounts, including presentation for approval by the Audit & Accounts Committee in March 2017, although this is subject to available EY resources to complete valuation testing.
- 1.6 A detailed action plan has been drawn up, following the September progress report, in order to address issues for completing the 2015/16 accounts and to progress 2016/17 accounts preparation. In addition, I have set up an Assurance Review Group, which is in the progress of identifying measures to present the Council as 'audit ready' for future statements. These assurances will be implemented across all relevant services that input into the statement.
- 1.7 I continue to meet with the Chair of this Committee on a fortnightly basis to appraise them of progress and hold a weekly meeting with the valuations team, in conjunction with the Strategic Director for Communities and Place.

### **RECOMMENDATION**

- 2.1 To note the progress on the 2015/16 Statement of Accounts

## REASONS FOR RECOMMENDATION

- 3.1 The Accounts & Audit Regulations 2015 – Part 10 (2) require, in the absence of signing off the accounts by 30 September 2016, that the authority submit the final accounts as soon as reasonably practicable after the receipt of the final audit report.

## SUPPORTING INFORMATION

### 4 Progress

- 4.1 Following the progress report received by EY in September 2016 an action plan has been developed which covers necessary actions to be completed as part of the 2015/16 statement, and for 2016/17 onwards.
- 4.2 As reported in the September update to this committee, we have had difficulties in justifying our asset valuations. The Estates team have reviewed the asset base again to ensure that the valuations to be presented for testing in December 2016 are *'free from material misstatement'*. The Estates team will complete their review by 25 November 2016 and the committee will be updated at the meeting. The Estates team have also been working alongside the Accountancy Team to ensure that there is consistent data in the asset register.
- 4.3 EY have produced an update for this committee meeting. The report covers 4 main areas:
- Valuations - which has been discussed above
  - Progress on issues still to be addressed (see section 5)
  - Progress on issues now completed (see section 6)
  - New issues in the process of being finalised (see section 7)

### 5 Issues still to be addressed

- 5.1 We are awaiting information from Derby Homes in order to provide detailed evidence to support Tenants Rents Receivable. Progress on this issue should be available for the date of the Committee.
- 5.2 We are awaiting some information from Derbyshire County Council to support pension obligations in relation to the former Derby City Transport which was sold in 1989.

5.3 Information to support queries in relation to Debtor and Creditor balances have been provided to EY. A number of errors have been identified, which we are in the process of reviewing in order to make improvements for future years.

**6 Issues now completed**

6.1 There were a number of areas highlighted in the September EY Progress Report which were still in discussion between management and EY. They were therefore subject to change. The Council have revised its basis of calculation in discussion with EY and two areas which have now been agreed are:

- NNDR appeals
- Council Tax and NNDR doubtful debt provisions

6.2 The table below highlights the changes

	<b>Draft Statement</b>	<b>Revised for Final Statement</b>	<b>Adjustment agreed and required for Final Statement</b>	<b>Adjustment assessed by EY in September</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
NNDR appeals	7,587	8,011	424	2,700
CT doubtful debts	8,475	9,303	828	3,600
NNDR doubtful debts	3,355	3,792	437	672

**7 New Issues**

7.1 A new issues has arisen following EY work post September which the committee are asked to note. Some issues are still in progress.

7.2 PFI scheme assets – EY have reviewed the PFI entries in financial model which feeds into the accounts. Issues are still being considered and refer back to the date on which the models were established, the earliest being 2005/06. These models were established by external PFI specialists at the time and have been audited by our former two external auditors without adjustment to the base assumptions. We are in the process of establishing what impact this would have on the 2015/16 accounts. With regard to the concern around the lack of corporate memory, the employees who set the PFI's up some years ago are no longer with the Council. This has been raised as an issue by EY, which we are in the process of addressing.

**8 Completion Timeline**

8.1 The EY report determines a broad timeline to complete the 2015/16 accounts by 31 March 2017. We are in the process of reviewing this in detail with EY to ensure that both parties work towards this date and that resources are deployed effectively to this aim.

**OTHER OPTIONS CONSIDERED**

5.1 None - the Accounts and Audit Regulations 2015, require a final set of accounts to be produced.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Janie Berry, Christine Durrant
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<b>For more information contact:</b>  <b>Background papers:</b>  <b>List of appendices:</b>	Martyn Marples 01332 643377 martyn.marples@derby.gov.uk  External Audit Progress Report – on this agenda Interim AGS update – on this agenda  Appendix 1 – Implications
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**IMPLICATIONS**

**Financial and Value for Money**

1.1 The cost of additional audit work will be reported in the final external audit report.

**Legal**

2.1 None.

**Personnel**

3.1 Further resources will need to be deployed to finalise the 2015/16 audit.

**IT**

4.1 IT issues are reported in the EY Progress Report

**Equalities Impact**

5.1 None.

**Health and Safety**

6.1 None.

**Environmental Sustainability**

7.1 None.

**Property and Asset Management**

8.1 As set out in the report

**Risk Management**

9.1 We continue to work closely with EY to mitigate the risk associated with the late publication of the 2015/16 accounts.