

To: Audit, Risk and Scrutiny Board

On: 27 August 2018

Report by: Chief Auditor

Heading: Training for Audit, Risk and Scrutiny Board Members

- 1. Summary**
- 1.1 In line with national guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the implementation of Audit Committee Principles in Scottish Local Authorities, training on audit and risk related matters is being provided to members of the Audit, Risk and Scrutiny Board.
- 1.2 At the Audit, Scrutiny and Petitions Board meeting on 28 August 2017, it was agreed that a programme of training briefings for members would be provided and would continue to form part of the main agenda at every alternate meeting.
- 1.3 Attached at Appendix 1 is the agreed programme of briefings, and at Appendix 2 the current briefing on “Annual Accounts – An Introduction”.
- 1.4 In preparation for the 2018/2019 National Fraud Initiative it is proposed to include an additional briefing into the planned programme for the 25 September Board meeting.

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2. **Recommendations**
 - 2.1 Members are asked to approve the additional briefing session for the National Fraud Initiative on 25 September 2018.
 - 2.2 Members are asked to note the content of the current training briefing.
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Implications of the Report

1. **Financial** - None
 2. **HR & Organisational Development** - None
 3. **Community Planning –
Safer and Stronger** – an effective audit committee is an important element of good corporate governance.
 4. **Legal** - None
 5. **Property/Assets** - None
 6. **Information Technology** - None
 7. **Equality & Human Rights** - None
 8. **Health & Safety** – None
 9. **Procurement** - None
 10. **Risk** - training for elected members on audit and risk-related matters reflects audit committee principles
 11. **Privacy Impact** – None
 12. **COSLA Implications** - None
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Author: Andrea McMahon – 01416187017

Appendix 1

Date	Topic
28 August 2017	The Role of the Audit Committee
6 November 2017	Cyber Security Risk and Control
19 March 2018	The Role of External Audit
27 August 2018	Understanding Financial Statements
25 September 2018	National Fraud Initiative
5 November 2018	The Role of Internal Audit

Renfrewshire Council Annual Accounts – an introduction

Lisa Dickie – Finance Manager




What we will cover

- Nature and role of annual accounts
- Explanatory statements
- Numerical statements
- Other statements



Nature and role of accounts

- Annual publication required by statute
- Key element in governance arrangements
- General purpose and at corporate level
- Accounting standards and legislation
- True and fair (and understandable)



Explanatory statements

Mandatory: to help the reader understand the accounts and to provide assurances.

- Management Commentary
- Statement of responsibilities
- Annual Governance Statement
- Remuneration report



Management Commentary

- Outlines the objectives, strategy and financial performance of the council
- Highlights key facts, notes major changes in the year and provides context to results.
- Covers both council and group
- CIPFA best practice for areas to be covered



Statement of responsibilities

- Explains the role of the full council
 - Corporate responsibility for finances and assets
- Legal responsibilities of the “Section 95” officer
 - CFO prepares the accounts in line with proper practice and complies with legislation
 - Plus ensures up-to-date accounting records kept and financial controls are in place.



Annual Governance Statement

- **Explains how the council controls its resources**
 - The main features for the control of its finances
 - The role and responsibilities of internal audit and the Audit Committee
 - Any reviews done during the year and any major weaknesses found and details an action plan
 - Applies to the council and the group



Remuneration report

- **Explains how the pay etc of senior councillors and top officials is set by the council.**
- **Shows what each of these people were paid plus pension benefits.**
- **Plus the number of senior people* within pay bands.**
- **Details the costs associated with Exit Packages agreed by the Council.**

* i.e. earning in excess of £50k



Numerical statements

These statements show the resources used and generated plus financial position of the council.

- **Movement in reserves statement**
- **Comprehensive income and expenditure statement**
- **Balance sheet**
- **Cash flow**
- **Notes to the accounts**



Movement in reserves

- Shows the financial resources available
- Two broad categories of reserves, usable and unusable. Usable reserves include the general fund.
- Each reserve shows the change in the year split over :
 - Resource changes (see Comprehensive Income and Expenditure Statement later)
 - Statutory adjustments (intervention to protect taxpayers)
 - Transfers between statutory reserves



Comprehensive Income & Expenditure Statement

- Shows the cost in accounting terms of providing services. Accounting standards and practice are used to measure the substance of transactions.
- Two broad sections
 - Surplus or deficit on provision of services (that falls on the general fund)
 - Other comprehensive income & expenditure (unrealised gains or losses e.g. changes in valuation of assets/pensions)



Balance Sheet

- Snapshot of assets and liabilities at the year-end.
- Assets are resources within the council's control. Liabilities are commitments the council will have to settle. Both are split between long and short term.
- Two main parts
 - Net assets (assets and liabilities in defined categories to show resources and obligations)
 - Total reserves (attributable funding)



Cash flow statement

- Shows cash flows during the year, starting from the opening position through to the year-end figure for "cash and cash equivalents" in the balance sheet.
- The definition of "cash" includes short-term investments under 3 months.
- Cash flow (and its management) matters because we need to be able to settle our liabilities as they arise plus strike the right balance between the security of invested cash and the investment returns.



Other statements

- "The Code" requires three additional statements (in our case)
 - Council tax income account
 - Non-domestic rates account
 - Housing Revenue account
- The council tax and NDR statements show the income and the deductions made under statute.
- HRA shows the income and expenditure during the year related to council housing; and a statement of balances



Questions?

- Lisa Dickie
- lisa.dickie-fi@renfrewshire.gov.uk
- Ext 7384