

AUDIT COMMITTEE

10 MARCH 2016

STATEMENT OF ACCOUNTS 2015/16

REPORT OF THE INTERIM HEAD OF FINANCE

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RECENT REFERENCES:

AUD114: Statement of Accounts 2014/15, 12 March 2015

EXECUTIVE SUMMARY:

The purpose of this report is to update the Committee on the actions taken to ensure that the Statement of Accounts for 2015/16 is fully compliant with requirements.

Legislation requires that the draft, pre-audit Statement of Accounts is signed by the Section 151 officer by 30 June, and that the audited Statement of Accounts is approved by Members, by 30 September, annually.

The external auditors, Ernst & Young LLP, are undertaking 'pre-statement' work in February and March and will conduct the main audit work in August.

RECOMMENDATION:

That the Audit Committee notes this report in respect of the Statement of Accounts for 2015/16.

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1. Introduction

- 1.1. The purpose of this report is to inform the Audit Committee of the implications on the Statement of Accounts of the significant statutory changes applying to the 2015/16 financial year.
- 1.2. The Statement of Accounts is prepared in accordance with 'proper practices' as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations.

2. Changes to Accounting Standards – adoption of IFRS13, Fair Value Measurement

- 2.1. International Financial Reporting Standard 13, Fair Value Measurement was adopted by CIPFA into the Code 2015/16. This standard provides a consistent definition of 'fair value' (i.e. the price that would be received / paid in an orderly transaction between market participants) to be used when measuring certain types of assets and liabilities.
- 2.2. The Accounting Code limits the impact of IFRS13 by only applying it prospectively (removing the need for any prior period adjustments due to adoption) and only to surplus assets, investment properties and financial instruments liabilities.
- 2.3. The impact of IFRS13 adoption is not expected to have a substantial impact on the Council's asset valuations. However, there is the potential for significantly more onerous disclosure notes to explain the valuation techniques that have been used and what inputs have been used to develop those measurements. The extent of these additional requirements will only be known when the external valuers provide their valuation report.

3. Legislation changes – Accounts and Audit Regulations 2015

- 3.1. The Accounts and Audit Regulations 2015 came in to force from the 1 April 2015 and apply to all financial years starting on or after that date. These Regulations are fundamentally important to the process for preparing and publishing the Statement of Accounts. Amongst other things, the Regulations specify the standard to which the Accounts must be prepared; the approval and publication requirements; and how the rights of the public to take part in the process must be facilitated.
- 3.2. ***Preparation and publication of the accounts***
The 2015 Regulations require the responsible finance officer (S151 Officer) to sign and date the draft, unaudited, Statement of Accounts by the 30 June 2016.

The accounts are then published alongside a new statement setting out the public inspection rights and arrangements. In previous years the public had 20 working days to inspect the accounts and one appointed day during which they could ask questions of or make objections to the external auditor. This inspection window has now been extended to 30 working days and the public may now also ask questions of and make objections to the auditor at any point during this time.

The process for the publication of the audited accounts remains largely unchanged. For the 2015/16 financial year the Audit Committee must approve the accounts for publication by the 30 September 2016.

3.3. ***Narrative Statement***

The new Accounts and Audit Regulations have introduced a statutory requirement for a narrative statement to be published alongside both the draft and audited Statement of Accounts. The statement must include comment on the authority's financial performance and economy, efficiency and effectiveness in its use of resources.

4. Changes to the Accounting Code of Practice 2015/16

- 4.1. There have been a number of accounting changes introduced by the 2015/16 Code, however none of these will result in significant changes to the Council's Statement of Accounts. They mainly result in presentational changes to the disclosure notes.

OTHER CONSIDERATIONS:

5. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1. Preparation of the Statement of Accounts is fundamental to the operation of the Council. Achieving corporate priorities must go in hand with accounting for how the Taxpayer's money has been spent.

6. RESOURCE IMPLICATIONS:

- 6.1. None directly arising from this report.

7. RISK MANAGEMENT ISSUES

- 7.1. The financial implications of the Silver Hill Judicial Review finding on the Accounts for 2015/16 is currently under consideration, and is likely to impact on the financial outturn position.

8. BACKGROUND DOCUMENTS:

None