

<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 14 July 2016	<b>Meeting Name:</b> Audit, governance and standards committee
<b>Report title:</b>		Draft statement of accounts 2015/16	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATION

1. That the audit, governance and standards committee note the draft statement of accounts for 2015/16 (Appendix 1).

## BACKGROUND INFORMATION

2. Each year, the council is required by the Accounts and Audit Regulations 2015 (the Regulations) to prepare a statement of accounts in accordance with proper accounting practices. By the end of June, as the council's responsible financial officer, the strategic director of finance and governance must certify that the accounts present a true and fair view of the council's financial position as at 31 March and its income and expenditure for the year.
3. Under the constitution, the audit, governance and standards committee is the body that formally receives the statement of accounts. Although not required by the regulations, in line with good practice recommended by CIPFA, the draft statement of accounts are presented to the audit and governance committee for review.
4. No later than 30 September:
  - the strategic director of finance and corporate services must re-certify the statement of accounts
  - members must consider and approve the re-certified statement of accounts
  - the council must publish statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 (general report) of the Audit Commission Act 1998.
5. The audit, governance and standards committee is scheduled to meet on 14 September 2016 to consider and approve the statement of accounts.

## KEY ISSUES FOR CONSIDERATION

6. Good practice recommended by CIPFA suggests members consider the following in relation to the statement of accounts:
  - the suitability of, and changes in accounting policies and treatments

- major judgements made
- large write offs
- the reasonableness of accounting estimates
- the narrative aspects of reporting.

7. To assist members in their consideration of these issues, the following table sets out how they have been addressed by officers in preparing the statement of accounts.

<b>Issue</b>	<b>Response</b>
The suitability of, and changes in accounting policies and treatments	<p>Accounting policies for the main statements are set out in note 1 of the main accounts (pages 21 to 30) and at pages 76 to 79 for the pension fund accounts.</p> <p>The accounting policies are subject to annual review, with reference to the code of practice on local authority accounting, published by CIPFA. There were no significant changes in accounting policies and treatments during 2015/16 for the main statements or the pension fund accounts.</p>
Major judgements made	<p>Major judgements made in preparing the accounts are set out in note 2 of the main statement of accounts and note 5 of the pension fund accounts. In the main statements, specific reference is made to:</p> <ul style="list-style-type: none"> <li>• accounting for schools' non current assets</li> <li>• integrated waste management facility</li> <li>• heat and energy supply arrangement</li> <li>• fair value of PFI liabilities</li> <li>• HRA depreciation, impairment and valuation losses</li> <li>• Review of Minimum Revenue Provision Policy.</li> </ul> <p>and in the pension fund accounts, reference is made to the pension fund liability.</p>
The reasonableness of accounting estimates	<p>Significant accounting estimates used in preparing the accounts are set out in note 3 of the main statement of accounts and note 6 of the pension fund accounts. In the main statements, specific reference is made to estimates used for:</p> <ul style="list-style-type: none"> <li>• Valuation of property, plant and equipment</li> <li>• defined benefit pension amounts.</li> </ul> <p>and in the pension fund accounts, reference is made to the net liability to pay pensions.</p>

Issue	Response
The narrative aspects of reporting	<p>Before 2015/16, councils have been required by the Code of Practice to accompany their Statement of Accounts with an Explanatory Foreword.</p> <p>For 2015/16, the Accounts and Audit Regulations 2015 have introduced a new requirement (Regulation 8) for local authorities to prepare a narrative statement in respect of each financial year which must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.</p> <p>CIPFA has specified the principles for narrative reporting which it considers should be used to meet the new requirements. These include</p> <ul style="list-style-type: none"> <li>• the development and the performance of the authority in that financial year and its position at the end of the year (using financial and non-financial indicators)</li> <li>• future financial prospects and progress in managing risks and opportunities</li> <li>• that the report should be comprehensive but concise; forward-looking (e.g. to reflect the impact of changes in government policies), and linked to related areas in the financial statements.</li> </ul>
Large write offs	<p>In accordance with the council's constitution, large write offs of individual debts owed to the council (i.e. those over £50,000) must be approved by cabinet. There were no large write-offs requiring cabinet approval during the year.</p>

### **Community impact statement**

8. This report and the accompanying statement of accounts are not considered to have a direct impact on local people and communities.

### **Resource implications**

9. The narrative report to the statement of accounts provides a commentary on the outturn for the year.

### **CONSULTATION**

10. Consultation on the accounts is carried out through the public inspection. The accounts are open for public inspection from 1 July to 31 July 2016. From 7 August 2015 until the conclusion of the audit process, local government electors for the area of the council may ask the auditor questions about and/or make objections in writing to the council's accounts.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial accounting closing files 2015/16	Finance and Governance, Tooley Street, Second Floor	Rob Woollatt 020 7525 1798

## APPENDICES

No.	Title
Appendix 1	Draft Statement of Accounts 2015/16

## AUDIT TRAIL

<b>Lead Officer</b>	Fay Hammond, Departmental Finance Manager, Finance and Governance		
<b>Report Author</b>	Robert Woollatt, Interim Chief Accountant, Finance and Governance		
<b>Version</b>	Final		
<b>Dated</b>	30 June 2016		
<b>Key Decision?</b>	No		
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
	<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
	Director of Law and Democracy	No	No
	Strategic Director of Finance and Governance	Yes	Yes
	<b>Cabinet Member</b>	N/A	N/A
	<b>Date final report sent to Constitutional Team</b>	1 July 2016	