

EAST HERTS COUNCIL

AUDIT COMMITTEE – 23 SEPTEMBER 2015

STATEMENT OF ACCOUNTS 2014/15

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

WARD (S) AFFECTED: All

Purpose/Summary of Report:

- The report sets out the background to the 2014/15 Statement of Accounts for Members to consider and approve.
- The accounts provide details of the overall financial position in the Balance Sheet, details of the revenue activities for the General Fund and the Collection Fund.
- The report also provides details of changes in reporting requirements from 2013/14 together with supporting comments on the key financial statements.

RECOMMENDATIONS FOR AUDIT COMMITTEE:

That:

(A)	the Council's Statement of Accounts for the financial year 2014/15 be approved and authorise the signing thereof by the Chairman of the Audit Committee at the conclusion of the meeting; and
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(B)	the letter of representation be approved for signing by the Chairman of the Audit Committee and the Director of Finance and Support Services.
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1 BACKGROUND

1.1 The approval of the Council's accounts is a statutory requirement. The Accounts and Audit Regulations 2011 set out the current

requirements for the production and publication of the Council's annual Statement of Accounts.

- 1.2 These Regulations require that the draft Statement of Accounts are signed by the Council's Section 151 Officer by 30 June following the relevant accounting year and passed for audit before being approved by the relevant body of the Council (as defined by the Regulations) following audit and then published by 30 September. The Section 151 Officer in signing the accounts is required to certify that the accounts represent a "true and fair view" of the financial position of the Council at year end.
- 1.3 Under the Local Government and Housing Act 1989 the preparation of the accounts must follow proper practices, which includes preparing accounts in accordance with the Code of Practice on Local Authority Accounting in Great Britain.
- 1.4 In line with the Council's constitution this committee, as the relevant body, now has the benefit of receiving the External Auditor's report on the accounts prior to Member approval.
- 1.5 As a separate report elsewhere on the agenda the Council's Annual Governance Statement has been submitted for consideration and approval, which is to be included in the Council's published accounts as a review of the effectiveness of its system of internal control.

2 REPORT

- 2.1 The Statement of Accounts is attached at **Essential Reference Paper "B"** to the report.
- 2.2 The audit of the accounts has now been substantially completed and the External Auditor's report is included on this committee's agenda. No significant issues have arisen throughout the audit process and officers have agreed and undertaken some presentational and disclosure adjustments that have had no overall net effect on the Council's reported assets and liabilities.
- 2.3 As part of the governance arrangements for the audit of the Council's accounts a "letter of representation" is provided to the External Auditor confirming that appropriate arrangements are in place. The Audit Committee is required to approve the letter which will then be signed by the Chairman and Director of Finance and Support Services. A copy of the letter is included at **Essential Reference Paper "C"**.

- 2.4 The Statement of Accounts, as defined in the regulations and specified in the relevant sections of the CIPFA Code of Practice, comprises:
- An explanatory foreword
 - Statement of Responsibilities for the Statement of Accounts
 - The accounting statements
 - A statement of accounting policies
 - Notes to the accounts
- 2.5 Members of the Audit Committee received the draft Statement of Accounts in advance of the Audit Committee meeting on 15 July 2015.
- 2.6 The presentation of the Statement of Accounts is determined by the CIPFA Code of Practice which is based on International Financial Reporting Standards (IFRS). There are no significant legislative or accounting changes affecting the production of this year's accounts compared to the 2013/14 Statement of Accounts.
- 2.7 The Statement of Accounts is a complex and technical document set out in a prescribed format to present a complete set of financial accounts. The Council's financial performance for 2014/15, which is reflected in the accounts presented, was presented in the Outturn Report to Executive on 8 June 2015.
- 2.8 The following paragraphs summarise the purpose of the core financial statements:

Movement in Reserves Statement (MIRS)

- 2.8.1 The MIRS shows the movement during the year on the reserves held by the Council. There are usable reserves, those that can be applied to fund expenditure or reduce taxation, and unusable reserves.

Comprehensive Income and Expenditure Statement (CIES)

- 2.8.2 This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles (GAAP), rather than the amount to be funded from taxation.
- 2.8.3 The CIES shows accounting entries which are required under statute in respect of capital, pensions and asset revaluations but which do not affect the funding position of the Council.

Balance Sheet

- 2.8.4 The consolidated Balance Sheet sets out the assets and liabilities of all activities of the Council at the end of the financial year. It is a guide to the financial health of the Council. The total assets less liabilities at 31 March 2015 are valued at £77.5m compared to £81.2m the previous year.
- 2.8.5 The Balance Sheet shows the balances and reserves at the disposal of the Council together with the fixed and non-current assets which are employed by the Council in delivering its services.
- 2.8.6 The value of Property, Plant and Equipment (PPE) has reduced by £1.485m reflecting the write down of assets in respect of capital charges and impairments offset by additions during the year.
- 2.8.7 The reduction in Long Term Investments is offset by a corresponding increase in Short Term Investments where an investment was liquidated in advance of an investment in Property Funds of £10m.
- 2.8.8 No additional Long Term Borrowing was undertaken during the 2014/15 financial year.
- 2.8.9 The value of Provisions made during the year has increased due to the apportionment of planning appeals and Non Domestic Rates (NDR) appeals.
- 2.8.10 The Pension Liability has increased by £3.5m due to year end actuarial valuations on pensions assets and liabilities.
- 2.8.11 The Council's usable reserves have increased by £2.517m reflecting the in-year surplus.

Cash Flow Statement (CFS)

- 2.8.12 The CFS summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

3 IMPLICATIONS/CONSULTATIONS

- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper "A"**.

Background Papers:

Essential Reference Paper "B" contains the 2014/15 Statement of

Accounts.

Essential Reference Paper “C” shows the “letter of representation” from the Council to the External Auditor.

Contact Member:

Councillor Geoff Williamson – Executive Member for Finance and Support Services
geoffrey.williamson@eastherts.gov.uk

Report author:

Philip Gregory – Head of Strategic Finance
Ext: 2050
philip.gregory@eastherts.gov.uk

Contact Officer:

Mandy Barton – Accountancy Manager
Ext: 2053
mandy.barton@eastherts.gov.uk