

EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

STATEMENT OF ACCOUNTS 2015/16

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 2015/16 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.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

That:

(A)	The Council's Statement of Accounts for the financial year 2015/16 be approved and authorise the signing thereof by the Chairman of the Audit and Governance Committee at the conclusion of the meeting;
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(B)	The letter of representation be approved for signing by the Chairman of the Audit and Governance Committee and the Head of Strategic Finance and Property.
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1 BACKGROUND

1.1 The arrangements for keeping and publishing the Council's accounts are set out in the Accounts and Audit Regulations 2015. Under these regulations the Head of Strategic Finance and Property is responsible for determining the Council's accounting system, form of accounts and supporting accounting records.

- 1.2 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.
- 1.3 In accordance with the requirements of the regulations the Head of Strategic Finance and Property approved the draft Statement of Accounts by 30 June 2016.
- 1.4 The regulations require that:
- The Audit and Governance Committee considers and approves the audited statement of accounts by 30 September 2016 and the accounts are signed by the committee chair.
 - The Council publishes the accounts by 30 September 2016.
 - Audited bodies conduct a review at least once a year of the effectiveness of its system of internal control and publish an annual governance statement each year with the authority's financial statements.
- 1.5 The regulations have confirmed that from 2017/18 the draft Statement of Accounts must be produced by 31 May and audited, approved by committee and published by 31 July. The council is well placed to achieve these deadlines.
- 1.6 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.
- 1.7 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.
- 1.8 EY, the Council's external auditor, has now audited the Statement of Accounts and its report to those charged with governance (ISA 260) will be presented to this Committee as a separate item on the agenda.

2 REPORT

- 2.1 The Statement of Accounts is attached at **Essential Reference Paper B** to the report.
- 2.2 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 and Governance Committee is required to approve the letter which will then be signed by the Chairman and Head of Strategic Finance and Property. A copy of the letter is included at **Essential Reference Paper C**.

- 2.3 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2015/16 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.4 Members of the Audit and Governance Committee received the draft Statement of Accounts in advance of the Audit Committee meeting on 15 June 2016.
- 2.5 The presentation of the Statement of Accounts is determined by the CIPFA Code of Practice which is based on International Financial Reporting Standards (IFRS).
- 2.6 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 2015/16, which is reflected in the accounts presented, was presented in the Outturn Report to Executive on 7 June 2016.
- 2.7 The following paragraphs summarise the purpose of the core financial statements:

Movement in Reserves Statement (MIRS)

- 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)

- 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.
- 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

- 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 2016 are valued at £78.5m compared to £77.5m the previous year.
- 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.

Cash Flow Statement (CFS)

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

2.8 There have been no material changes to the Statement of Accounts since the report to Audit Committee on 15 June 2016. Any significant amendments to the accounts will be set out in the Auditors Results Report.

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 2015/16 Statement of Accounts.

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

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