

**REPORT TO:** AUDIT AND GOVERNANCE COMMITTEE  
**DATE OF MEETING:** 28 SEPTEMBER 2016  
**REPORT OF:** Assistant Director Finance  
**TITLE:** Statement of Accounts 2015-16

**Is this a Key Decision?**

No

**Is this an Executive or Council Function?**

Council

**1. What is the report about?**

To seek Members' approval and adoption of the Council's Statement of Accounts for 2015-16.

**2. Recommendations:**

**It is recommended that the Audit and Governance Committee approve the audited Statement of Accounts for 2015-16.**

**3. Reasons for the recommendation:**

The publication of a Statement of Accounts is a statutory requirement. In England and Wales, each authority is required to prepare its accounts by 30 June and to approve and publish them by 30 September. Approval of the Council's financial statements and notes to the accounts is therefore in accordance with this statutory deadline.

**4. What are the resource implications including non financial resources**

The audited Statement of Accounts is intended to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements, as at 31 March 2016.

**5. Section 151 Officer Comments:**

This report sets out the final financial position of the Council. It is to be read alongside the ISA 260 Audit findings report from KPMG LLP (UK).

The draft Statement of Accounts were issued for audit on 30 June 2016 and it is pleasing to report that no significant misstatements or amendments have been identified during the course of the audit. A small number of presentational changes were required to be made along with some minor amendments to disclosure notes, which have each been addressed.

**6. What are the legal aspects?**

The Statement of Accounts has been prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.

The audit of the accounts has been undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England, by the Council's external auditors, KPMG LLP (UK).

## **7. Monitoring Officer Comments:**

This report raises no issues for the Monitoring Officer.

## **8. Report Details:**

### **STATEMENT OF ACCOUNTS 2015-16**

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances.

Information contained in the Statement of Accounts will be consolidated into the Whole of Government Accounts.

#### **8.1 Presentation of the Statement of Accounts**

The Code of Practice on Local Authority Accounting provides guidance on the format and content of the Statement of Accounts and means that they have to conform to a national standard. In presentational terms the Statement of Accounts will differ from the Council's own management accounts and budget monitoring information circulated to Members.

#### **8.2 Main Changes to the Accounts**

The key accounting changes affecting the Statement of Accounts for 2015-16 are:

##### **• Narrative Report**

In previous years, local authorities were required to accompany their Statement of Accounts with an Explanatory Foreword. Its purpose was to provide an easily understandable guide to the most significant matters reported in the accounts. To a substantial extent, the content and style of the Explanatory Foreword were left to local judgement.

For 2015-16, the Accounts and Audit Regulations 2015 introduced a statutory requirement for a Narrative Report. In order to meet the requirements of the legislation, the Code of Practice on Local Authority Accounting recommends that the narrative report should provide an analysis of:

- The development and the performance of the authority in that financial year and its position at the end of the year
- The financial and non-financial performance indicators as relevant to the performance of the authority

In overall terms, the Narrative Report provides a more comprehensive summary of the authority's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

##### **• Fair Value Measurement**

From 1 April 2015 local authorities are required to measure their assets and liabilities in accordance with Accounting Standard; IFRS 13 Fair Value Measurement.

IFRS 13 covers financial and non-financial assets and liabilities and it defines fair value as ‘the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date’.

In determining fair value characteristics such as condition, location, restrictions on use are taken into account and the valuation assumes the highest and best use. The standard also requires significant disclosures, in particular where fair value has been calculated using valuation techniques not derived from active market information. For Exeter, this has resulted in new disclosures in respect of its investment properties and financial instruments, but no material changes to the carrying values in the Balance Sheet.

- **Timetable for Closure of the Accounts**

Local authorities in England will be required to bring forward the timetable for the closure of the accounts in respect of the 2017-18 financial year and onwards. Local authorities will be required to publish their audited Statement of Accounts by the end of July. Prior to that, as the period for the exercise of public rights must include the first 10 working days of June, the authority must publish the unaudited Statement of Accounts by the end of May.

This represents a significant challenge as it will require the Statement of Accounts to be published a full two months earlier than current statutory deadlines. In readiness of this change, the closedown timetable for the 2015-16 financial year was brought forward in order to start preparation work towards achieving an earlier closedown and this test run was successful with the service accounts closed by the end of April rather than late May.

### 8.3 Audit Findings

At the time of writing, our external auditors anticipate issuing an unqualified audit opinion on the Authority's financial statements and their findings are as follows:

- **Material Misstatements**

No material misstatements were identified during the course of the audit.

- **Disclosures**

A number of minor disclosure changes were identified, which have been rectified and related to; related parties, finance leases and termination benefits.

The disclosure note for Non-adjusting events after the Balance Sheet date was also updated to include the outcome of the EU referendum.

- **Presentational**

A number of presentational issues were identified, which have been rectified. These include spelling and casting amendments.

Overall, the amendments to date have had no impact on either the General Fund balance or the Housing Revenue Account balance, which remain as reported to Council in July. The overall financial performance of the Council for 2015-16 was reported to Executive on 12 July 2016 and to Council on 26 July 2016.

**9. How does the decision contribute to the Council's Corporate Plan?**

The Statement of Accounts set out the financial position at the end of the 2015-16 and the transactions of the Council during 2015-16, both of which help underpin delivery of the Corporate Plan.

**10. What risks are there and how can they be reduced?**

The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Team and Members. There is also a risk of failing to implement key accounting changes in accordance with approved accounting standards, but this is mitigated by the external audit of the Statement of Accounts.

**11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

No impact

**12. Are there any other options?**

No

**Assistant Director Finance**

**Local Government (Access to Information) Act 1972 (as amended)**

**Background papers used in compiling this report:**

None

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