

13 June 2016

Audit and Scrutiny Committee

Draft Statement of Accounts 2015/16

Report of: *Chris Leslie, Finance Director*

Wards Affected: *N/A*

This report is: *Public*

1. Executive Summary

- 1.1 This report presents the Council's Statement of Accounts for 2015/16. These accounts were presented to the External Auditors (Ernst & Young) on 6th June 2016.
- 1.2 The Committee will formally approve the financial statements after the completion of the external audit.

2. Recommendation(s)

- 2.1 **That the Statement of Accounts for 2015/16 and Annual Governance Statement are reviewed.**

3. Introduction and Background

- 3.1 The main sections in the Statement are:

a) Narrative Report

The purpose of the narrative report is to provide an easily understandable guide to the most significant matters reported in the accounts.

b) Movement in Reserves Statement

This is a summary of the movements in the financial year within the different reserves held by the Council. The reserves are analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

c) Comprehensive Income and Expenditure Statement

This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed. The services shown are in accordance with generally accepted accounting practices.

d) Balance Sheet

This sets out the financial position of the Authority as the 31 March 2016. The Balance Sheet reflects the balances and reserves, and net current assets employed in all of its operations, together with summarised information on any fixed assets held.

e) Cash Flow Statement

This summarises the Council's cash transactions throughout the year.

f) Notes to the Core Financial Statements including Accounting Policies

These provide supporting analysis to the Core Financial Statements. The Accounting Policies outline the legislation and principles upon which the Statement of Accounts has been prepared.

g) Housing Revenue Account Income and Expenditure Statement

This reflects a statutory requirement to account separately for local council housing provision. It summarises the resources that have been generated and consumed in providing services and managing the Council's housing stock during the last year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed.

h) Collection Fund

The Council is required to maintain a separate Collection Fund to receive monies as a billing authority in relation to the Council Tax and National Non-Domestic Rates (Business Rates) and accounts for the distribution of Council Tax to preceptors (Essex County Council, Police & Crime Commissioner for Essex and Essex Fire Authority) and the Council's own General Fund; with the addition of the Government for Business Rates.

- 3.2 The Annual Governance Statement (AGS) is not an official part of the Statement of Accounts, but is provided as a supporting document to publish the governance arrangements in place within the Council to ensure that business is conducted in accordance with the law and proper standards and that public money is safeguarded.

4. Issue, Options and Analysis of Options

- 4.1 In previous years the responsible financial officer has been required to sign the draft statement of accounts by 30 June and to publish the audited statement of accounts by 30 September. The Accounts and Audit (England) Regulations 2015 have introduced some earlier deadlines, which will apply for the 2017/18 accounts. From 2017/18 onwards, the draft accounts will need to be signed by 31 May, and the audited accounts published before 31 July. In order to prepare ourselves for the new deadline it was decided to do a trial run for the 2015/16 Statement of Accounts. The Draft Statement of Accounts for 2015/16 was signed by the Section 151 Officer, before the auditors received an official copy of the statement of accounts on the 6 June 2016.

4.2 The date by which statements must be published is set down by Government Regulations. Currently it is 30 September. CIPFA has recommended that it is good practice for the accounts to be reviewed by the Committee prior to the commencement of the external audit, along with the AGS in order for Members to satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. The work could include:

- Reviewing the explanatory foreword to ensure consistency with the statements and the financial challenges and risks facing the authority in the future.
- Reviewing whether the foreword is readable and understandable by a lay person
- Identifying the key messages from each of the financial statements and evaluating what this means for the authority in future years.
- Monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year.
- Reviewing the suitability of accounting policies and treatments.
- Seeking assurances that preparations are in place to facilitate the external audit.

4.3 The Committee will formally approve the financial statements after the completion of the external audit.

4.4 Due to the deadlines for the Committee report the Statement of Accounts document is not available for publication with this agenda. A copy will be circulated before the meeting and the Finance Director will take members through the Statement of Accounts and address the main sections highlighted above.

5. Reasons for Recommendation

5.1 A system of sound financial control and governance arrangements underpins all of the services and priorities of the Council.

6. Implications

Financial Implications

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6.1 The key messages from the financial statements will be set out at the meeting.

Legal Implications

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6.2 None.

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