

 Finance & Audit Scrutiny Committee 26 July 2016		Agenda Item No. 3
Title	Statement of Accounts and Annual Governance Statement 2015/16	
For further information about this report please contact	Marcus Miskinis Tel 01926 456804 marcus.miskinis@warwickdc.gov.uk	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	Executive 2 June 2016 – Final Accounts 2015/16	
Contrary to the policy framework:	No	
Contrary to the budgetary framework:	No	
Key Decision?	No	
Included within the Forward Plan? (If yes include reference number)	No	
Equality & Sustainability Impact Assessment Undertaken	N/A	
Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	13/7/2016	Bill Hunt
Head of Service	13/7/2016	Mike Snow
CMT	13/7/2016	
Section 151 Officer	13/7/2016	Mike Snow
Deputy Monitoring Officer	14/7/2016	Graham Leach
Finance	N/A	Finance Report
Portfolio Holder(s)	13/7/2016	Councillor Whiting
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?	No	
Suggested next steps (if not final decision please set out below)		
The Statement of Accounts 2015/16 will be subjected to External Audit and the Audited Accounts will be presented to this Committee and Council in September 2016 for formal approval.		

1. SUMMARY

- 1.1 The accounts have been closed in respect of the financial year 2015/16 and the outturn duly reported to the Executive in June.
- 1.2 The draft Statement of Accounts 2015/16 has now been produced and will be subject to Audit up to the end of September. The Audited Statement of Accounts will be presented to this Committee and Council in September for formal approval.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee notes the pre-audit Statements.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 As part of corporate governance, Members have an important role in overseeing the framework of internal control of the Council. Although the Statements are still subject to audit, it is considered helpful to Members to get an early sight of them.

4. POLICY FRAMEWORK

- 4.1 **Policy Framework** – The Statement of Accounts for 2015/16 represents a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a historical presentation of the past year's operations.
- 4.3 **Impact Assessments** - The Council's Statement of Accounts covers the community throughout the District. It is a statement of fact and officers will have considered any impact when finalising the accounts.

5. BUDGETARY FRAMEWORK

- 5.1 The Statement of Accounts 2015/16 (Appendix A) is a historic account of the financial performance of the year and shows comparison with the budget (where appropriate) for 2015/16 and with 2014/15.
- 5.2 Full details looking at the outturn for the year against the agreed revenue and capital budgets were included within the Final Accounts report to the Executive in June.

6. RISKS

- 6.1 The main risk is that External Audit identifies significant errors in the accounts that require amendment.

7. ALTERNATIVE OPTION(S) CONSIDERED

- 7.1 Not to review the pre-audit statements.

8. BACKGROUND

- 8.1 The accounts have been compiled so as to comply with the appropriate accounting standards and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
- 8.2 The Accounts and Audit Regulations 2015 require that the responsible financial officer must, no later than 30th June immediately following the end of a year, sign and date the statement of accounts.
- 8.3 A notice was placed on the Council's website on 29 June informing electors of their rights to inspect the accounts, and any relevant documents, between 1 July and 11 August (30 working days) and to question the auditor about those accounts and raise any objections.
- 8.4 The Regulations also require that members approve the audited accounts by no later than 30 September. Consequently, meetings have been set up for 20 and 21 September for the Finance and Audit Scrutiny Committee and Council, respectively, to meet their responsibilities.
- 8.5 Although not required by the regulations, this report provides members of the Finance and Audit Scrutiny Committee the opportunity to see the pre-audit Statements.

9. STATEMENT OF ACCOUNTS

- 9.1 The Statement of Accounts (see Appendix A) has been prepared using principles and practices of accounting which 'presents a true and fair view' of the financial position and transactions of the Council. 'Proper accounting practices' are deemed to be those specified in CIPFA's "Code of Practice on Local Authority Accounting in the United Kingdom 2015/16" ("the Code") which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.
- 9.2 As a consequence of the above, the Statements are required to be shown in a format which more closely follows that used to produce commercial accounts.
- 9.3 The Accounts and Audit Regulations 2015 also require that the accounts include a Narrative Report, which replaces the previous Explanatory Foreword.
- 9.4 The Statements are required to include any known changes up to the audit date. Since the Final Accounts Report to the Executive in June the Council has received formal valuations of its assets from its valuers which has resulted in a net impairments of £851,000 in respect of General Fund assets (predominantly for Town Hall £1,150,000, Cemeteries and Crematorium £866,000, Royal Pump Room £815,000 offset by increases in the values for Riverside House - £1,451,000 and Golf Course -£573,000), reduced depreciation -£158,000 (mainly car parks) and a reversal of past impairments of HRA assets totalling -£18.7m. Consequently, these changes have been incorporated into the Statement of Accounts.

- 9.5 The Statement of Accounts comprises four primary statements plus two supplementary statements that reflect specific activities of a shire district council – the Housing Revenue Account and the Collection Fund.
- 9.6 The first primary statement is the Movement in Reserves Statement (page 17). This shows the movement in the year on the different reserves held by the Council and analyses them into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (i.e. 'unusable reserves'). The statement shows the true economic cost of providing the Council's services, the statutory adjustments required for tax and rent setting and the use of any earmarked reserves.
- 9.7 The second primary statement is the Comprehensive Income and Expenditure Statement (page 18). This is a more detailed analysis of the true economic cost of providing services referred to above. Although it would appear that the Council is operating at a large surplus, this is mainly due to the HRA impairments reversal (-£18.7m) and the new accounting regime operating in the wake of HRA Self Financing in 2011/12, whereby the Council is putting aside resources to build more homes.
- 9.8 The Balance Sheet (page 19) is a relatively simple statement with the details now being provided in the notes.
- 9.9 Similarly, the Cash Flow Statement (page 20) is a summarised account with the notes providing the details. The IFRS Cash Flow statement includes both cash and cash equivalents i.e. non-cash items that can be quickly liquidated, such as short term investments.
- 9.10 These accounts will be audited during August and September. The Statements and notes will be adjusted by any material items found during the audit and the responsible financial officer will recertify them prior to them being presented to this Committee again and to Council for formal adoption. The deadline for this is 30 September and, accordingly, new meetings have been arranged for 20 and 21 September for this committee and Council, respectively, in order that this deadline can be achieved.

10. ANNUAL GOVERNANCE STATEMENT

- 10.1 The Accounts and Audit (England) Regulations 2015 require local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and include a statement on internal control in any Statement of Accounts. The regulations require local authorities to produce the statement in accordance with 'proper practices in relation to internal control'.
- 10.2 Following various reviews a new Framework has been put in place which recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement.
- 10.3 To support the conclusions in the Annual Governance Statement, each year a review is to be carried out of the system of internal control to highlight any serious control issues and actions needed to deal with them.

- 10.4 The Annual Governance Statement, containing the findings of the review, is appended to the Statement of Accounts.
- 10.5 As expected, for an authority of our size, the review identified a number of areas for improvement in internal control and these form a series of actions to take. The progress on the actions coming out of the Annual Governance Statement is regularly monitored by the Senior Management Team.
- 10.6 The Annual Governance Statement was approved by this Committee at its meeting on 1 June 2016.