



Cheltenham Borough Council

Audit Committee, 21 September 2016 2015/16 Statement of Accounts

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Areas to be covered

- Legal background
- Role of Audit Committee
- Accounting practices and procedures
- Changes to 2015/16 Financial Statements
- Format of Statements
- Financial Statements
- Notes to the Accounts
- Early Closure
- Questions

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The Legal Framework

- Audit Commission Act 1998 – requirement to prepare an annual Statement of Accounts by 30th June. Deadline to be brought forward to 31st May for 2017/18 onwards.
- Accounts & Audit Regulations (England) 2015 - accounts to be prepared in accordance with 'proper accounting practices'
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 'Code')
- Service Reporting Code of Practice (SeRCOP)
- International Financial Reporting Standards (IFRS)

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Role of Audit Committee

- Review financial statements to be satisfied that steps have been taken to meet statutory and recommended practices
- Review the Narrative Statement for consistency with statements and known financial challenges and risks
- Review whether statements are readable and are understandable by a lay person
- Identify key messages from each of the financial statements

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Role of Audit Committee (cont'd)

- Review suitability of accounting policies and treatments
- Seek assurances from Section 151 Officer and External Audit – review Auditors Opinion
- Signed approval of Statements by 30th September, to be brought forward to 31st July for 2017/18 onwards
- Consider if any major concerns arising from Statements or External Audit to bring to attention of Council.

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Accounting Practices and Procedures

- Statement of Accounts is produced by GOSS Finance, but is a **corporate council document** requiring input across all services
- October 2015 – GOSS review of 2014/15 closedown process
- January 2016 – Pre meeting with External Auditors to discuss issues / changes to statements for 2015/16
- February 2016 - Year end timetable and Guidance notes produced - agreed by key officers , budget holders and external parties
- February 2016 - Workshops held to explain processes, roles and responsibilities and time scales

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Practices and Procedures (continued)

- Training on importance and use of purchase order system to achieve earlier deadlines
- March 2016 – Budget monitoring to identify known accruals and expected year end position
- March 2016 – Timetable and Guidelines re-sent to all staff, reminding of procedures and timelines for submission of information
- March 2016 – Final reconciliation of suspense and control accounts, preparation for year end
- April / May 2016 – Accruals accounting and production of management year end outturn position

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Practices and Procedures (continued)

- May/June 2016 – Production of statement of accounts, including technical adjustments
- June 2016 - Audit Committee review of Accounting policies
- 30th June 2016 – Accounts signed by Section 151 Officer and submitted to External Audit
- Public inspection period 1st July 2016 to 11th August 2016
- July 2016 – Cabinet / Council year end Outturn report
- August 2016 – External audit of accounts
- 21st September 2016 – Review and sign off of Statements by Audit Committee

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Changes to 2015/16 Statements

- Adoption of FRS13 Fair value definition – Basis of valuation for surplus assets, assets held for investment purposes and Financial Instruments
- Ubico Ltd – now own equal 16.66% share of business, with 6 partners – no longer need to incorporate in group accounts
- New Narrative Report
- Further decluttering of Financial Statements

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Format of Statement of Accounts

- **Narrative Statement**
 - Former Introduction and Explanatory Foreword combined / streamlined
 - Council vision and priorities and performance management
 - Developments in service delivery
 - Management outturn
 - Capital Expenditure
 - Financial Challenges ahead
 - Introduction to main statements
- **Statement of Responsibilities for the Statements**
 - Outlines the Council's and Section 151 Officer's responsibilities
 - Section 151 Certification – "True and Fair View"
 - Audit Committee approval - sign off by Chairman

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Format of Statement of Accounts (continued)

- **Core Financial Statements and notes**
 - Comprehensive Income & Expenditure Statement
 - Balance Sheet
 - Movement in Reserves Statement
 - Notes to the Accounts including accounting policies
 - Cash Flow Statement
 - Housing Revenue Account
 - Collection Fund – Business Rates and Council Tax
 - Group Accounts
- **Glossary of Terms**
- **Annual Governance Statement**
- **Independent Auditors Report – Grant Thornton**

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Comprehensive Income & Expenditure Statement (CIES)

- **Management Outturn:**
 - represents general fund service costs funded by taxation.
 - measures underspend against approved budget
- **Comprehensive Income & Expenditure Statement (CIES):**
 - reports **total** accounting cost of Council services, for GF and HRA
 - includes year end technical adjustments
 - Gross income and expenditure re-categorised by function in accordance with Service Reporting Code of Practice (SeRCOP)
- **Segmental Reporting** note to accounts provides reconciliation between CIES and management outturn reported to Council
- **Technical Adjustments** to CIES reversed out as unusable reserves through the Movement in Reserve Statement, therefore no impact on council tax payer

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Balance Sheet

- Shows value of assets and liabilities at the balance sheet date
- Snapshot of a point in time, showing net assets matched by reserves
- Land and Property valuations in accordance with 5 year rolling programme, with reasonability check for other material assets
- Reserves– split into usable (earmarked) reserves and unusable reserves e.g. pension reserve, revaluation reserve
- Full breakdown of each element of balance sheet supported by notes to statements

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Other Main Financial Statements

- **Movement in Reserves Statement (MIRS):**
shows the impact of the CIES deficit for the year on the balance sheet position at 31st March and the movement in usable and unusable reserves in the year.
- **Cash Flow Statement :**
shows the changes in cash and cash equivalents during the year
- **Collection Fund:**
separate statement and notes produced by billing authorities, showing transactions in relation to business rates and council tax collected
- **Group Accounts:**
consolidates council accounts with the accounts of any other body for which the council has an influential shareholding –CBH and Glos Airport

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Other Notes included in the Accounts

Other notes provided in the statements include:

- Pensions
- Provisions
- Financial Instruments
- Prior period adjustments
- Officer remuneration
- Related Parties
- Grant income
- Segmental Reporting

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Early Closure of Statement of Accounts

- 2017/18 – draft accounts to be prepared by 31st May 2018
- External Audit to be completed by 31st July 2018
- Audit Committee approval of audited accounts by 31st July 2018
- First trial run for early closure 2015/16 – completed two weeks earlier
- Further trial run planned 2016/17– aim to complete by 31st May 2017

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Any Questions?



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