

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Audit Committee
Date:	21 March 2016
Subject:	Statement of Accounts 2015/16

Summary:

This report summaries:

- Changes resulting from the Accounts and Audit Regulations 2015;
- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2015/16 Statement of Accounts;
- The review of the Council's Accounting Policies; and
- Summary of the key risks faced by the Council in producing the Statement of Accounts 2015/16.

Recommendation(s):

The Executive Director of Finance and Public Protection asks Members of the Audit Committee to:

1. Note the changes to the Explanatory Foreword and in the process for Exercising Public Rights required by the Accounts and Audit Regulations 2015;
2. Note the changes required to the Statement of Accounts from the Code of Practice 2015/16;
3. Approve the Statement of Accounting Policies (Appendix A) to use in preparing the Council's accounts for the financial year ending 31 March 2016; and
4. Note the key risks, actions and contingency arrangements identified for the production of the 2015/16 Statement of Accounts.

Background

1.1 The Council is required to prepare its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice (SeRCOP). These both ensure the accounts are prepared using "proper accounting practice".

Accounts and Audit Regulations 2015

1.2 The Accounts and Audit Regulations 2015 replace the previous regulations issued in 2011. The 2015 Regulations simplify the process which allows the public to inspect the accounts and raise questions with the External Auditors (Exercising Public Rights), and replaces the Explanatory Foreword in the Statement of Accounts with a new style Narrative Report.

Exercising Public Rights

1.3 Instead of separate periods for inspecting the accounts and raising queries with the Auditors, there is now a single period of 30 days for inspection and queries which, for the 2015/16 accounts, must include the first 10 working days of July. Both the Statement of Accounts and Annual Governance Statement must be published on the Authority's website, but there is no longer any requirement to give notice of the inspection period by advertisement.

Narrative Report

1.4 The 2015 Regulations specifically require authorities to publish a Narrative Report. The Code of Practice indicates that the report should include financial and non-financial performance information. The Narrative Report will follow CIPFA's guidance and will replace the Explanatory Foreword which already includes comment on financial performance.

Changes to the Code of Practice on Local Authority Accounting for 2015/16

1.5 The Code of Practice has fully adopted IFRS13 (Fair Value Measurement) for the first time in 2015/16 although the code has made exceptions for Property, Plant and Equipment and Intangible Assets, where valuation techniques have been adapted for the public sector.

1.6 Fair Value relates to the measurement of assets and liabilities and introduces additional disclosure requirements relating to the valuation technique used to measure the asset or liability. Additional information will therefore be provided in the Statement of Accounts for Financial Instruments, Pension Fund accounts, Investment Properties and Surplus Assets.

1.7 Where Fair Value is required to be used then assets and liabilities are valued at their highest and best use, in a market where an orderly transaction would take place. This approach results in a change in the valuation technique used for

valuing Surplus Assets, where these assets were previously valued in line with the asset class they were held under before being reclassified.

Statement of Accounting Policies

1.8 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the Accounts, together with any estimation techniques adopted. The policies have been reviewed and are attached at **Appendix A** for consideration and approval by this Committee.

1.9 A small number of minor changes have been made to the accounting policies for 2015/16 which are marked in ***bold italics*** in **Appendix A**, these include:

- Updates to reflect the use of the Accounts and Audit Regulations 2015;
- Changes to reflect the adoption of IFRS13, principally to reflect the change in valuation technique used for Surplus Assets; and
- Additional valuation information is also provided for Investment Properties and Financial Instruments.

Key Risks Faced

1.10 While the Authority continues to work on resolving the issues raised by the implementation of its new financial system (Agresso), there are a number of identifiable risks that may give rise to material misstatements in the accounts. These risks are shown in **Appendix B** alongside the actions that are being taken to mitigate the risks and, where possible, planned contingency arrangements.

1.11 The risks are also being discussed with the external auditors (KPMG) to confirm the adequacy of the arrangements and potential implications for the audit of the accounts.

Conclusion

2.1 The Statement of Accounts and Annual Governance Statement will be published on the Authority's website, immediately followed by a period of 30 days during which the public may inspect the accounts and raise queries. This inspection period will no longer be advertised in the local press.

2.1 Changes to the format and content of the accounts and accounting requirements will be incorporated into the Statement of Accounts for 2015/16 as required by the Code of Practice and the Accounts and Audit Regulations 2015.

2.2 The Statement of Accounts will be prepared using the Accounting Policies approved by the Audit Committee at this meeting.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounting Policies 2015/16
Appendix B	Closure of Accounts 2015/16 - Risk Analysis

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16	Executive Director of Finance and Public Protection
Service Reporting Code of Practice for Local Authorities	Executive Director of Finance and Public Protection

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