

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **19 JULY 2016**

SUBJECT: **STATEMENT OF ACCOUNTS 2015/16**

REPORT FROM: **INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**

CONTACT OFFICER: **STEVE KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**

TYPE OF DECISION: **COUNCIL**

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The report provides Members with details of the Authority's audited Statement of Accounts for the financial year ended 31 March 2016.

The pre-audited Statement of Accounts was approved by the Responsible Finance Officer on 27 May 2016. The accounts have now been audited by KPMG and Members are asked to note:

- Two audit adjustments have been identified;
- One recommendation has been made;
- The quality of the Council's accounts and working papers have remained at a high level;
- For the third year the Council is able to present its audited accounts to Members 2 ½ months earlier than the statutory deadline and KPMG are to be thanked for their part in achieving this;
- A notice will be placed advertising the completion of the audit and how members of the public can access copies of the statement and summary of accounts.

This report is to be considered along with the ISA (UK+I) 260 "*Communication of Audit Matters with those Charged with Governance*" report which will be presented by KPMG as part of this meeting.

**OPTIONS &
RECOMMENDED OPTION**

Members are recommended to:

Approve the final version of the Statement of Accounts for the 2015/16 financial year in line with the provisions of the Accounts and Audit Regulations 2015;

Note the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement report (also on the agenda) presented by KPMG;

Approve the letter of representation signed by the Interim Executive Director of Resources & Regulation which will be presented at the meeting of the Audit Committee.

IMPLICATIONS:**Corporate Aims/Policy Framework:**

Do the proposals accord with the Policy Framework? Yes

Statement by the Assistant Director of Resources (Finance & Efficiency):

The Statement of Accounts reflects the Authority's financial performance during 2015/16 and helps to shape budget strategy in future years.

Statement by Executive Director of Resources:

There are no wider resource implications.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

Yes

Are there any legal implications?

Yes. The production of the Authority's statutory accounts is a requirement of the Local Government Act 1972 and has been undertaken in compliance therewith and the Council's Financial Regulations (Financial Regulation A: Financial Management: 3.8.5). The report accords with the Council's Policy and Budget Framework and has been produced in accordance with all relevant Statutory Guidance and Codes of Practice.

Staffing/ICT/Property:

No specific implications

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

Chief Executive/ Strategic Leadership Team	Cabinet Member /Chair	Ward Members	Partners
Yes	Yes		
Overview & Scrutiny Committee		Committee	Council
		Audit	

1.0 INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit Regulations 2015 each year the Authority is required to produce the draft, unaudited Statement of Accounts before 30th June following the Balance Sheet date. The accounts are approved at this stage by the Responsible Finance Officer. For Bury Council the Responsible Finance Officer is the Interim Executive Director of Resources & Regulation.
- 1.2 Once the draft Accounts have been approved they are subject to audit by, in our case, KPMG and a final copy of the Accounts containing the auditor's certificate and opinion must then be approved by Audit Committee before being published on or before the statutory publication date of 30th September.
- 1.3 The 2015/16 draft Accounts were approved by the Responsible Finance Officer (Section 151 Officer) on 27 May 2016 and KPMG commenced their audit of the accounts on Tuesday 31 May.
- 1.4 In accordance with the Accounts and Audit Regulations 2015 members of the public have the right to inspect the Authority's Accounts, including supporting documents, on reasonable notice at all reasonable times. Any rights of objection, inspection and questioning of the external auditor may only be exercised within a single period of 30 working days. This year the Accounts were deposited for inspection at the Town Hall for 30 working days commencing 3 June 2016 until 14 July and the External Auditor was available for questioning from 3 June 2016. This facility was advertised in the local press and on the Bury Council website.
- 1.5 The figures shown within the Statement of Accounts correspond with the results which will be reported within the Corporate Revenue & HRA, Capital and Treasury Management Outturn Reports. These will be considered by the Cabinet on 20 July 2016 and the Overview & Scrutiny Committee on 31 August 2016 and will contain details of the Council's financial performance against budget.

2.0 THE FORMAT OF THE ACCOUNTS

- 2.1 The Statement of Accounts is attached at Appendix A and it contains the following financial statements:-
 - An Introduction by the Deputy Leader of the Council and Cabinet Member for Finance & Human Resources;
 - Narrative Report;
 - Statement of Responsibilities;

- Core Financial Statements:
 - The Comprehensive Income and Expenditure Statement;
 - Balance Sheet;
 - Movement In Reserves Statement;
 - Cash Flow Statement
- Index for the Notes to the Core Financial Statements;
- Notes to the Core Financial Statements including Accounting Policies;
- The Housing Revenue Account;
- The Collection Fund;
- Group Accounts;
- Glossary of Terms

- 2.2 A brief explanation of the purpose of these statements is given in the Narrative Report on page 6 of the Accounts.
- 2.3 The format and contents of the Accounts are laid down in regulations and in the Code of Practice on Local Authority Accounting incorporating IFRS which we are required to follow. As a result the Authority has little or no discretion over what is shown.
- 2.4 The Council has continued to investigate ways in which the Accounts can be made more accessible to the community at large, especially through the use of plain English, summary information and through the internet. Similar to previous years, the 2015/16 Accounts can be translated into a number of different languages if required and can be made available in Braille and large print.
- 2.5 A quick and easy summary format of the accounts in order to make the accounts easier to understand and more informative, will continue to be provided. These will again be placed on the Council's website and this facility will again be advertised in the local press. We will ensure that the Accounts continue to be presented in the professional format adopted last year on conclusion of the audit.

3.0 TECHNICAL CHANGES

- 3.1 The main changes that have impacted on the Accounts for 2015/16 are:
- i. Fair value measurement and impact on Property, Plant and Equipment, Financial Instruments, Accounting Policies;
 - ii. Accounts and Audit Regulations 2015 and impact on early closure and sign off of the accounts;
 - iii. Narrative Report has replaced previous Explanatory Foreword.

4.0 AMENDMENTS TO THE ACCOUNTS

- 4.1 For the 2015/16 financial year there is the continuation of the important development in the responsibilities of auditors in relation to any misstatements that they discover in the course of their work. Under International Standard of Auditing (UK and Ireland) (ISA (UK+I)) 330, auditors plan and perform their audit to provide reasonable assurance that the financial statements are free from material misstatement.
- 4.2 However, in carrying out their work, they will also happen across other misstatements/omissions that are not material and ISA (UK+I) 260 "*Communication of Audit Matters with those Charged with Governance*"

requires auditors to report to Members all misstatements that have been advised to officers but not adjusted for.

- 4.3 The principal purposes of the communication with Members are for the auditors to ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of the auditors and Members; to share information to assist both the auditors and Members to fulfil their respective responsibilities; and to provide Members with constructive observations arising from the audit process.
- 4.4 There are two audit adjustments that KPMG have identified from the draft accounts that were approved by the Responsible Finance Officer on 27 May. One relates to the long term provisions balance being revised to more accurately reflect the level of expenditure that will most likely be incurred against the provisions. This has been adjusted in the accounts. The other relates to valuation of assets. This has not been adjusted in the accounts due to KPMG not considering it to be material. Further details can be found in KPMG's ISA260 report.
- 4.5 **Members are therefore recommended to approve these Accounts.**
- 4.6 In the last few years the Council has made continuous improvements to the accounts closure process in terms of its preparation and application and the results of this can be seen in a consistently good performance in terms of a reduced number of both audit adjustments and recommendations as reported in the ISA260:

	2015/ 16	2014/ 15	2013/ 14	2012/ 13	2011/ 12	2010/ 11	2009/ 10	2008/ 09
Audit Adjustments	2	0	1	2	1	3	0	0
Recommendations	1	6	6	1	1	10	0	3
Recommendations outstanding from previous years	1	4	0	0	1	0	1	0

- 4.7 The Committee should also note that no audit matters of governance have been identified by KPMG.

5.0 MANAGEMENT LETTER

- 5.1 The authority is required by Auditing Standards to provide the auditor with written representations from management in respect of related party disclosures, compliance with laws and regulations, the accuracy of the financial statements, unadjusted audit differences, fraud and fair value measurements and disclosures. In addition the auditors also seek management representations in relation to contingent liabilities, post balance sheet events.
- 5.2 In a local government context it is appropriate for management representations to be discussed and approved by the full Council, the Audit Committee or any

other committee which has been given delegated responsibility for approval of the financial statements under the Accounts and Audit Regulations 2015. In Bury's case this is the Audit Committee and a letter of representation signed by the Interim Executive Director of Resources & Regulation will require approval by Audit Committee.

6.0 ISSUES

- 6.1 I would like to thank all the staff involved in the achievement of the deadline for the close down process and pay tribute to the professional, diligent and courteous manner in which the auditors KPMG have discharged their duties.

STEVE KENYON
INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION

Background documents:

Various final accounts working papers held in the files of the Head of Financial Management.

For further information on the details of this report, please contact:

Steve Kenyon, Interim Executive Director of Resources & Regulation;
tel. 0161 253 6922, (email: S.Kenyon@bury.gov.uk)