

Audit Committee

30 September 2016



Statement of Accounts for the year ended 31 March 2016

Report of Paul Darby, Interim Corporate Director Resources Councillor Alan Napier, Portfolio Holder for Finance

Purpose of the Report

- 1 To seek approval of the Statement of Accounts for the Council for the financial year ended 31 March 2016.

Background

- 2 The 'Accounts and Audit Regulations 2015' stipulate a two stage approval process for the Statement of Accounts; the first stage is in June each year. The Regulations require that the responsible financial officer, by no later than 30 June 2016, signs and certifies that the Statement of Accounts presents a 'true and fair view' of the financial position of the Council for the year to 31 March previous, subject to the views of the External Auditor. This stage was completed on 30 June 2016.
- 3 The second stage, as set out in the Regulations, requires that on or before the 30 September, approval needs to be given to the Statement of Accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval needs to take into account the views of the External Auditor. Once approved, the Statement of Accounts can then be formally published.
- 4 The External Auditor has completed the audit of the Statement of Accounts and any amendments to the Statement of Accounts and the Audit Completion Reports are to be presented by the Auditor to the Committee today.
- 5 During the audit, working in collaboration with the Auditor, a number of amendments have been identified and have already been included in the Statement of Accounts presented today.

Statement of Accounts

- 6 The Statement of Accounts for the financial year 2015/16 has been prepared in accordance with the 'Accounts and Audit Regulations 2015 and the 'Code of Practice on Local Authority Accounting 2015/16' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 7 The Code is based on approved accounting standards. In England and Wales, the local authority Code constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Council is therefore legally required to follow this Code of Practice. Explanatory notes are included in the document to assist in the interpretation of the accounts, which by nature, are unavoidably technical and complex.
- 8 A number of changes to the Notes to the Core Financial Statements to assist the reader's understanding of the document, to correct errors and ensure compliance with the requirements of the Code have been made.
- 9 During the Auditor's consideration of the Statement of Accounts, a number of 'misstatements' were identified and have been amended in the Statement of Accounts. These are listed in section 04 of the Audit Completion Report.
- 10 In addition, a number of 'non material misstatements' have been identified and remain unadjusted. These are also listed in section 04 of the Audit Completion Report. The total of these unadjusted misstatements do not materially affect the accuracy/integrity of the Statement of Accounts. It is therefore not intended to adjust the Statement of Accounts for these items.
- 11 A separate Audit Completion Report has been provided for the Pension Fund. A number of 'misstatements' were also identified during the Audit of the Accounts. The material misstatements and have been amended in the Statement of Accounts and again a number of 'non material misstatements' have been identified and remain unadjusted. These are listed in section 04 of the Audit Completion Report for the Pension Fund.
- 12 The audit of the Statement of Accounts was completed by 30 September and there may be additional misstatements which may be adjusted or remain unadjusted. Should there be any, these will be presented to the Committee today.
- 13 At the time that the audit of the accounts is completed, a "letter of representation" will be completed and the reasons for not adjusting these items will be set out in that letter.
- 14 To help Members in reading and interpreting the contents, Appendix 2 to this report briefly explains the purpose of each section of the Statement.

Audit Opinion

- 15 On completion of the audit of the accounts, auditors must give their opinion on the financial statements of Durham County Council and the Pension Fund, including:
 - whether they give a true and fair view of the financial position of the Council and the Pension Fund and their expenditure and income for the year in question; and

- whether they have been prepared properly, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
- 16 The Auditor can issue a 'qualified opinion' where he has some reservations or concerns, or an 'unqualified opinion' where he does not have any reservations.
- 17 In addition, the Auditor issues a 'Value for money conclusion' which is the auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources by considering one overall criterion set out by the National Audit Office. This overall criterion is 'In all significant aspects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people'. This is made up of and is measured against the following three sub-criteria:
- Informed decision-making,
 - Sustainable resource deployment, and
 - Working with partners and other third parties
- 18 For 2015/16 the Auditor intends to issue an unqualified opinion on the accounts of the Council and the Pension Fund Accounting Statements. He also concluded that proper arrangements have been put in place to secure economy, efficiency and effectiveness in the Council's use of resources in the Value for Money conclusion.
- 19 The Auditor can formally conclude the audit and issue an audit certificate as the audit work on the Whole of Government Accounts consolidation pack is expected to be completed by 30 September.

Recommendation

- 20 That the Audit Committee approves the Statement of Accounts for the Council for the financial year ended 31 March 2016.

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Appendix 1: Implications

Finance

This report details the financial position of the Council as at 31 March 2016.

Staffing -

None

Risk -

None

Equality and Diversity -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability -

None

Legal Implications -

None

Appendix 2: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Narrative Report	3 – 23	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts
Statement of Responsibilities for the Statement of Accounts	24 – 25	Sets out the responsibilities of the Council and the Corporate Director Resources for the Statement of Accounts.
Independent Auditor's Report to Durham County Council	26 – 29	Once the Audit is completed the Auditor's report will be signed.
Durham County Council Core Financial Statements		
Movement in Reserves Statement	30 – 31	This statement shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves and other reserves
Comprehensive Income and Expenditure Account (CIES)	32	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Balance Sheet	33	The Balance Sheet shows the value as at the Balance Sheet date (31 March 2016) of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
Cash Flow Statement	34	The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
Notes to the Core Financial Statements	35 - 141	The notes are important in the presentation of a true and fair view. They aim to assist in understanding by presenting information about the basis of preparation of the core financial statements; by disclosing information required by the Code that is not presented elsewhere; and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts and shows the policies and procedures adopted in compiling the Accounts.

Item	Pages	Explanation of Purpose and Content
The Housing Revenue Account (HRA)	142 – 147	The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
Collection Fund	148 – 154	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the Council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Durham County Council Pension Fund Accounts	155 – 198	Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March 2016. Following the Accounts are notes providing further information.
Annual Governance Statement	199 – 218	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the Council.
Glossary of Terms used in the Accounts	229 - 235	To help the reader understand terminology used in the Statement of Accounts.