

## PLYMOUTH CITY COUNCIL

**Subject:** Statement of Accounts 2015/16  
**Committee:** Audit Committee  
**Date:** 15 September 2016  
**Cabinet Member:** Councillor Ian Darcy  
**CMT Member:** Andrew Hardingham (Assistant Director for Finance)  
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**Ref:** FIN/CH  
**Key Decision:** No  
**Part:** I

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### **Purpose of the report:**

The Council's draft Statutory Statement of Accounts for year ending 31 March 2016 was prepared and approved ready for our external auditors by the Assistant Director for Finance on 30 June 2016.

The Accounts have now been audited and are being presented to Audit Committee for approval. The Accounts and Audit Regulations require the accounts to be formally approved and published on or before 30 September 2016.

Issues raised by the auditor are outlined in the report, including a summary of the changes made since the draft accounts were produced. The revised Statement of Accounts for 2015/16 is attached at Appendix A. This might be subject to minor changes to wording and the changes will be highlighted at the committee meeting.

The Committee are also asked to approve the Annual Governance Statement for 2015/16.

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### **The Corporate Plan 2013/14 – 2016/17:**

The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

The 2015/16 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

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### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

N/A

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## Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not for this report as this is a statement of actual spend rather than new allocations which could impact on equality and/or diversity.

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## Recommendations and Reasons for recommended action:

That the Audit Committee:

1. Note the amendments made to the Statement of Accounts for 2015/16 as agreed with the Auditor, and outlined in this report.
  2. Approve The Statement of Accounts for 2015/16 as attached at Appendix A.
  3. Approve the Annual Governance Statement for 2015/16 as attached at Appendix B.
  4. The Letter of Representation attached at Appendix C is authorised and submitted to the Auditor.
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## Alternative options considered and rejected:

None – It is a statutory requirement to produce and approve the Statement of Accounts.

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## Published work / information:

[Statement of Accounts 2015/16 Report to June 2016 Audit Committee](#)  
[Draft \(Pre Audit\) Statement of Accounts 2015/16](#)  
[Annual Governance Statement 2015/16](#)  
[2015/16 Financial Outturn Report](#)

## Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Not applicable									

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## Sign off:

Fin	AKH 1617. 25	Leg	DVS 26377	Mon Off	DVS 26377	H R		Assets		IT		Strat Proc	
Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **Statement of Accounts 2015/16**

### **1. Introduction**

- 1.1 The draft Statement of Accounts 2015/16 was approved by the Assistant Director for Finance on 30 June 2016. The formal audit commenced on 13 June 2016. The External Auditor's Audit Findings Report (ISA 260 Report), including the outcome on the annual accounts audit and an action plan addressing key audit issues, is being presented to this meeting. The Accounts and Audit Regulations require the Statement of Accounts to be approved by the Council by 30 September 2016. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The Statement of Accounts for 2015/16 is attached at Appendix A.
- 1.3 The Annual Governance Statement for 2015/16 is attached at Appendix B. This was considered by Members at the 30 June Audit Committee alongside the Statement of Accounts and this is now being recommended for formal approval.
- 1.4 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2016. The Statement of Accounts should therefore include all relevant post balance sheet events up to and including the 15 September 2016.
- 1.5 As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. This letter may be signed by the Assistant Director for Finance and the Chair of Audit Committee and is attached at Appendix B.
- 1.6 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2015/16. The auditor has outlined in the ISA 260 report being presented to this Committee that he is satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2015/16 (The Code).
- 1.7 This is the first year of having BDO as the Authority's external auditors and the Council Officers would like to express their thanks to BDO and the Audit staff for their help and assistance in finalising the Council's Statement of Accounts.

### **2. The 2015/16 Codes of Practice**

- 2.1 There are two main Codes of Practice relevant to the production of the Statement of Accounts which CIPFA publish on an annual basis:-
  - 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
  - The Service Reporting Code of Practice for Local Authorities (SeRCOP)
- 2.2 The Code of Practice on Local Authority Accounting (the Code) is based on approved standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Committee (IFRIC) except where these are inconsistent with specific statutory requirements.
- 2.3 The key changes to the code include:
  - a) The Explanatory Foreword has been replaced by the requirement to provide a Narrative Report to accompany the financial statements. The Narrative Report

should explain the more significant features of the accounts and it should be based on the information contained in the Statement of Accounts. Local Authorities should ensure that the Narrative Statement does not contain material inaccuracies or misleading statements in relation to the Statement of Accounts.

- b) The concept of fair value is used throughout the Code. International Financial Reporting Standards now have a consistent definition of fair value introduced by IFRS 13 Fair Value Measurement. The measurement and disclosure requirements of the code have been applied to the Statement of Accounts for 2015/16.

### **3. Issues arising since publication of the 2015/16 draft Accounts**

3.1 The following paragraphs outline the relevant issues that have arisen since the publication of the draft Accounts in June.

#### **3.2 Post Balance Sheet Events (PBSE)**

3.2.1 Although the Statement of Accounts shows the financial outturn position for 2015/16 and Balance Sheet position as at 31 March 2016, the Council is required to report material events occurring after 31 March 2016.

3.2.2 A post Balance Sheet event disclosure note has been added to reflect the result of the referendum on the UK to leave the European Union.

#### **3.3 Agreed Audit Amendments**

3.3.1 The auditor's report outlines a number of changes that they are recommending be made to the draft 2015/16 Statement of Accounts published in June. These have been discussed and agreed with Officers, and are reflected in the final statements being presented for approval.

3.3.2 The Comprehensive Income and Expenditure Statement and note 17.6 on the Revaluation Reserve have been adjusted. This is a capital adjustment on the revaluation of non-current assets from a deficit of £24 million to a surplus of £30 million. The original outturn position of £40 million presented to Members on the 30 June is unchanged. However, the total figure reported has been adjusted by approximately £57 million from a deficit of £3 million to a surplus figure of £54 million.

- In terms of amendments to Disclosure Notes, there were a few issues which came to light during the audit which have now been added to the statement of accounts. Details of all the changes are set out in Appendix D

3.3.3 Further details on the above amendments are reported in the External Auditor's report also on this agenda.

In addition, there have been a small number of grammatical and punctuation corrections to the document identified by both Officers and the Auditor, including the insertion of additional wording to provide clearer explanation of the accounts.

### **4. Looking to the year ahead - Issues for the 2016/17 Statement of Accounts**

4.1 Officers are looking forward to working again with BDO our External Auditors.

4.2 There are some challenging changes to the Code of Practice in 2016/17 and we will work with the auditors to incorporate these changes into the Statement of Accounts for 2016/17.

- 4.3 The 2016/17 edition of the Code introduces new, or amended, accounting standards or reporting requirements in a number of areas including:
- The introduction of a new section specifying the revised measurement requirements at Depreciated Replacement Cost for the Highways Network Asset.
  - New formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
  - Amendments to the Accounting and Reporting by Pension Funds section of the Code, following its review by CIPFA/LASAAC.
- 4.4 As well as changes to the Codes of Practice, Officers will also be considering other documentation published by CIPFA which will have an impact on either 2016/17 or future years' accounts. Current developments include consultation documents and / or new publications on the following topics:-
- Transport Infrastructure Assets
  - The Group Accounts Standards
  - Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
  - Financial Statements: A Good Practice Guide for Local Authorities
- 4.5 Officers will continue to keep up to date on both internal and external developments relevant to the statutory accounts to ensure any new or amended requirements are successfully brought into the 2016/17 Accounts.
- 4.6 Officers will ensure that engagement with the external auditor is undertaken at an early stage, in order that any changes required can be reviewed ahead of the preparation of next year's accounts.
- 4.7 Officers will be working closely with BDO to plan for the 2016/17 audit and would like to undertake the interim audit as early as possible in January 2017. This will enable much of the audit testing work to be completed prior to the main year-end audit.
- 4.8 This was our first year working with BDO and there have been challenges on both sides.
- 4.9 As senior finance managers we accept there were changes to staffing which were beyond our control and left no time for us to react in terms of replacements. We have a small but dedicated team of staff who are focused on ensuring that we continue to improve both the timeliness and quality of the work undertaken.
- 4.10 With hindsight we could have improved our communications with senior BDO staff.
- 4.11 On BDO's side, we would observe that working remotely for the first week of the audit did not work for either party, causing unnecessary additional workloads. We also note that changes to the senior lead auditor were not communicated to us, leading to a lack of clarity on our part.
- 4.12 We have also discussed our disappointment that more testing, particularly around prior year numbers and legacy assets, was not carried out during the interim audit.
- 4.13 BDO were appointed as our external auditors early during 2015 and during the lead up to the final accounts audit had developed a good engagement and a good working relationship however for the aforementioned reasons this did not prevent the frustrations experienced by both teams during the final audit process.
- 4.14 Lessons have been learnt by both teams and we are confident that year two will run much more smoothly.