

## PLYMOUTH CITY COUNCIL

**Subject:** Statement of Accounts 2016/17  
**Committee:** Audit Committee  
**Date:** 14 September 2017  
**Cabinet Member:** Councillor Ian Darcy  
**CMT Member:** Andrew Hardingham, Interim Joint Strategic Director for Transformation and Change  
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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 2017 was prepared and approved ready for our external auditors by the Interim Joint Strategic Director for Transformation and Change on 29 June 2017.

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 2017.

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 2016/17 is attached at Appendix A. This might be subject to minor changes to wording and the changes will be highlighted at the committee meeting.

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### **The Corporate Plan 2016/17 – 2018/19:**

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 2016/17 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 2016/17 as agreed with the Auditor, and outlined in this report.
  2. Approve The Statement of Accounts for 2016/17 as attached at Appendix A.
  3. The Letter of Representation attached at Appendix B 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 2016/17 Report to June 2017 Audit Committee](#)  
[Draft \(Pre Audit\) Statement of Accounts 2016/17](#)  
[Annual Governance Statement 2016/17](#)  
[2016/17 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:

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Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **Statement of Accounts 2016/17**

### **1. Introduction**

- 1.1 The draft Statement of Accounts 2016/17 was approved by the Interim Joint Strategic Director for Transformation and Change on 29 June 2017. The formal audit commenced on 12 June 2017. 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 2017. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The Statement of Accounts for 2016/17 is attached at Appendix A.
- 1.3 The Annual Governance Statement for 2016/17 was considered and formally approved by Members at the 29 June Audit Committee.
- 1.4 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2017. The Statement of Accounts should therefore include all relevant post balance sheet events up to and including the 14 September 2017.
- 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 Interim Joint Strategic Director for Transformation and Change 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 2016/17. 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 2016/17 (The Code).
- 1.7 This is the second 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 2016/17 Codes of Practice**

The main Code of Practice relevant to the production of the Statement of Accounts which CIPFA publish on an annual basis is the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

- 2.1 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.
- 2.2 CIPFA and CIPFA/LASAAC consulted widely on the 2016/17 code in preparation for the changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement.
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

### **3. Issues arising since publication of the 2016/17 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 2016/17 and Balance Sheet position as at 31 March 2017, the Council is required to report material events occurring after 31 March 2017.

3.2.2 There are no additional significant events which has occurred since the draft Accounts were published in June which is required reporting within PBSE Note 5 (page 42).

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

3.3.1 The auditor's report identified no material misstatements and BDO were pleased to note a significant improvement in the quality of the draft accounts and the supporting working papers. 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 C.

3.3.2 Their audit identified a few presentational changes to the financial statements. In particular, the Council was required to provide additional disclosure in respect of the valuation of the Tamar Bridge. The Bridge has been valued on a depreciated replacement cost (DRC) basis. This is a departure from the 2016/17 Code of Practice which stipulates that historic cost is to be used as the basis for valuing highways infrastructure assets. It has not been possible to identify an accurate historic cost for the Bridge and on this basis Cornwall and Plymouth City Council have made the decision to depart from the CIPFA Code and have applied their judgement that DRC is the most appropriate basis for valuing this asset. The disclosure note has been amended to explain the departure from the code.

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 2017/18 Statement of Accounts

4.1 This was our second year working with BDO and the external audit process has continued to improve. The draft Statement of Accounts was produced three weeks prior to the statutory deadline of the 30<sup>th</sup> June 2017 and the auditors have commented on the significant improvement in the quality of supporting working papers.

4.2 There are some challenging changes to the Code of Practice in 2017/18 and we will work with the auditors to incorporate these changes into the Statement of Accounts for 2017/18.

4.3 The 2017/18 edition of the Code introduces new, or amended, accounting standards or reporting requirements in a number of areas including:

- A new principles-based approach to narrative reporting.
- A review of the Code's provisions on going concern reporting.
- A review of accounting policies provisions in the Code.
- New disclosure on transaction costs for pension fund investments.
- Narrow scope amendments to International Financial Reporting Standards.
- Legislative Changes.

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 2017/18 or future years' accounts. Current developments include consultation documents and / or new publications on the following topics:-

- IFRS9 Financial Instruments: Recognition and Measurement.
- IFRS15 Revenue from Contracts with Customers.

4.5 A detailed closedown plan has been prepared and continuously worked on since last September. We will also ensure that any improvements identified as part of this year's closedown process will be incorporated into the closedown plan for 2017/18.

4.6 We will work closely with BDO during 2017/18 to identify what testing can be brought forward to the interim audit in January. This is of particular importance due to the statutory changes to the deadlines for the Statement of Accounts for 2017/18. The timetable for the preparation and approval of the 2017/18 accounts will be brought forward to a draft accounts deadline of the 31 May and an external audit deadline of the 31 July. This Committee will meet to formally approve the Accounts in July 2018. These changes provide challenges for the Council and BDO, the impact of the changes to the deadlines and their impact is shown below:

	Current Deadline	2017/18 Deadline	Reduction in Time
Preparation of draft financial statements	30 June	31 May	30 days
Approval and publication of financial statements with audit opinion	30 September	31 July	62 days
Available audit time	92 days	61 days	31 days