

**LICENSING & GENERAL PURPOSES  
COMMITTEE  
29 JUNE 2015**

**HEAD OF FINANCIAL SERVICES  
REPORT NO. FIN1514**

**STATEMENT OF ACCOUNTS 2014/15 –  
DUTIES AND RESPONSIBILITIES**

**1 INTRODUCTION**

- 1.1 The Statement of Accounts for 2014/15 has been prepared in line with CIPFA's 'Code of Practice on Local Authority Accounting' for 2014/15, under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit (England) Regulations 2011.
- 1.2 These regulations require that a committee of the Council consider and approve the Statement after completion of the audit of the accounts and presentation of the auditor's Audit Results Report. This is due to take place at the September meeting of the Committee, following which, the audited Statement of Accounts will be published.
- 1.3 From the 3<sup>rd</sup> July, we will be within the period where the Statement is available for public inspection and from 31<sup>st</sup> July, anyone registered to vote in the Borough will be able to question the auditor or raise an objection to the accounts.
- 1.4 CIPFA recommended practice is to issue the Statements to 'those charged with governance' in advance of the approval meeting in order to allow sufficient time for due consideration of the information. This also affords an opportunity to remind the Committee of their duties and responsibilities in respect of the Statement.

**2 STATEMENT OF ACCOUNTS 2014/15**

- 2.1 The Statement of Accounts is an annual publication of the financial position of the Council, containing a record of the assets and liabilities of the Council and the cost of the services the Council provides.
- 2.2 It consists of:
  - An introduction and summary of significant financial issues during the year (Explanatory Foreword)
  - Statement of Responsibilities
  - 4 key financial statements – Movement in Reserves, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow.
  - Notes to the core financial statements – including accounting policies
  - Collection Fund and accompanying notes (Council Tax and Business Rates)
  - Auditors' Results Report
- 2.3 Members are invited to discuss the Statement of Accounts and their approach to considering it for approval in September.

### 3 ROLES AND RESPONSIBILITIES

- 3.1 The committee's role is to provide effective scrutiny of the Council's financial statements. This forms part of a system of financial responsibility as illustrated below:

Body	Role	Example
Council	Major policy and strategy decisions	<ul style="list-style-type: none"> <li>- Approval of the annual budget and financial strategy</li> </ul>
Cabinet	Monitors the financial position – takes decisions within the over-arching policies and strategies approved at Council	<ul style="list-style-type: none"> <li>- Monitoring of spend against budgets</li> </ul>
Licensing and General Purposes Committee	'Those charged with governance' – scrutiny and challenge	<ul style="list-style-type: none"> <li>- Consider accounting policies and estimation bases</li> <li>- Hearing the external auditors report</li> <li>- Consider, approve and sign the statements</li> <li>- Sign the letter of representation</li> </ul>
Standards and Audit Committee	Consideration of risk and governance	<ul style="list-style-type: none"> <li>- Internal audit reporting</li> <li>- Risk and fraud</li> <li>- Corporate Annual Governance Statement</li> </ul>
Chief Financial Officer	Personal and Statutory responsibility	<ul style="list-style-type: none"> <li>- True and fair view</li> <li>- Provision of training</li> <li>- Preparation of statements and accompanying working papers</li> <li>- Involving Members in decision-making</li> <li>- Robust internal audit function</li> <li>- Adequate financial systems</li> </ul>
Experts	Technical disciplines	<ul style="list-style-type: none"> <li>- Use of actuaries, valuers, consultants</li> </ul>
External audit	Provision of external scrutiny and challenge External assurance	<ul style="list-style-type: none"> <li>- Compliance with statutory requirements</li> <li>- Satisfied that proper practices have been observed in compiling the accounts</li> <li>- Express an opinion on the statements</li> <li>- Obtaining evidence on the amounts and disclosures</li> <li>- Policies are appropriate and consistently applied</li> <li>- Estimates are reasonable</li> <li>- Statements are consistent with the explanatory foreword</li> </ul>

## **4 FACTORS TO CONSIDER**

### **4.1 Members should have regard to the following when considering the accounts:**

**Materiality** – do the accounts contain all material transactions? What level of materiality has been considered? What do Members consider significant, in disclosing information to the reader of the accounts?

**Transparency** – are transactions transparent? For example, are income and expenditure figures shown separately and not netted off, potentially distorting understanding of the financial transactions? Is the true nature of a transaction disclosed?

**Valuation** – how can Members satisfy themselves that the assets and liabilities within the accounts are accurate? What methodology has been used, what accounting policies are applicable? What reliance has been placed on experts and how reasonable is that reliance?

**Consistency** – is reporting consistent throughout the accounts? Is it consistent with the explanatory foreword? Is it consistent with Member's knowledge of the organisation?

**Completeness** – how can Members be assured that the statements are complete?

**Legality/Litigation** – are all transactions legal and have all potential litigation that the Council is party to, been disclosed?

**Classification** – have assets been classified correctly?

**Economic climate/Going concern principle** – is the current economic climate reflected in the statements and does the Council remain a going concern – i.e. are Members aware of such significant curtailment in the Council's activities or such significant worsening of the financial position that the Council may not be able to continue to carry out its function?

**Risk of error** – How can Members satisfy themselves that the Statements are free from misrepresentation or misreporting?

**Fraud** – are Members aware of incidences of fraud? What is the risk of fraud within the Statements?

**Rights and Obligations** – have all rights and obligations been disclosed correctly? Are disclosures accurate? Have all transactions actually occurred? For example, does the Council legally own the assets disclosed?

### **4.2 Once these factors have been considered, Members should be satisfied that the accounts represent a true and fair view of the Council's financial position.**

## **5 OTHER SOURCES OF INFORMATION AND ASSURANCE**

5.1 Members should consider what sources of information they can use to help them to approve the accounts and from whom they might seek assurance. A variety of sources should supply a clear and consistent message about the financial performance of the organisation. These sources might include:

- Internal audit
- The work of Standards and Audit Committee in considering fraud, risk and internal audit reporting
- Statements of senior officers – Chief Executive, Directors, Chief Financial Officer, Monitoring Officer
- External audit opinion
- Other inspections – HMRC – VAT, PAYE
- Financial and Performance reports
- Members own knowledge of the affairs of the Council
- The context i.e. economic climate, interest rates, property prices, inflation
- Expert knowledge e.g. actuarial reports

## **6 CONCLUSIONS**

6.1 In conclusion, Members of the Committee are not required to have a detailed knowledge of every transaction within the accounts, or any detailed, technical accounting knowledge. Members should however, consider the consistency of the information being presented and ask questions to gain assurance.

6.2 In particular, regular attendance at the Committee by the external auditor, affords Members the opportunity to question the processes, tools and techniques used as part of the audit, in order to gain assurance over the public reporting of the Council's finances.

**AMANDA FAHEY**  
**HEAD OF FINANCIAL SERVICES**