

## Central Bedfordshire Council

AUDIT COMMITTEE

Monday, 26 September 2016

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### 2015/16 Statement of Accounts

Advising Officers: Chief Finance Officer,  
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#### Purpose of this report

1. The report presents the 2015/16 Statement of Accounts for Central Bedfordshire Council. The annual accounts document is attached at Appendix A to the report.

#### RECOMMENDATIONS

Having considered the Audit Results Report from Ernst and Young LLP (agenda item 7) the Committee is asked to approve:

1. the 2015/16 Statement of Accounts as presented;
2. the publication of the Annual Governance Statement 2015/16 with the 2015/16 Statement of Accounts,
3. the 2015/16 draft Letter of Representation, as set out at Appendix C, for submission to the Council's external auditor Ernst & Young LLP, and that the Chairman of the Audit Committee and the Chief Finance Officer be authorised to sign it, and
4. that if minor changes are required following the completion of the audit the Chairman and Chief Finance Officer be authorised to approve and sign a revised version of the 2015/16 Statement of Accounts and Letter of Representation.

#### Overview and Scrutiny Comments/Recommendations

2. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

## **Background**

3. Regulations require that the annual accounts are published with the audit opinion and certificate no later than 30 September following the end of the financial year. In advance of this the accounts must have been approved by Members. Approval of the accounts is therefore required at the September 2016 Audit Committee. The full set of annual accounts is attached at Appendix A.
4. Auditing standards require the external auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve the draft letter of representation to Ernst and Young LLP attached at Appendix C.

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

5. The Chief Finance Officer, as required by the Accounts and Audit Regulations, certified the 2015/16 draft annual accounts on 28 June 2016. A presentation explaining key figures within the accounts was made to the Audit Committee at its June meeting. Public Inspection of the accounts was also advertised and this concluded on 8 August 2016.
6. The Statement of Accounts 2015/16 have been subject to external audit examination by Ernst & Young LLP during the period July to September 2016. The Ernst & Young LLP's Audit Results Report (EY ARR) is at item 7 on this agenda. At the point of writing the audit is still in progress with some substantive testing and reviews to be completed.
7. The Audit Results Report outlines any audit differences impacting on the original draft version of the accounts that exceed £0.558m. At the time of writing this report one such difference in respect of the PFI Liability disclosed has been identified. The PFI liability (short and long term) disclosed in the accounts of £15.733m has been understated by £1.929m and the unusable Capital Adjustment Account Reserve £550.790m has been overstated by the same amount. There is no financial impact on either the Council's General Fund or the two academy schools who use the PFI funded facilities. The difference has not been adjusted on the grounds that the change would not materially impact on the presentation of the Council's financial position at 31 March 2016 and that the adjustment will be made in the year ended 31 March 2017.
8. The PFI liability arises from a 2003 contract entered into by the former Bedfordshire County Council for the provision of new buildings, the refurbishment of existing buildings and associated facilities management at two schools (Samuel Whitbread Upper and Harlington Upper) which have both since converted to Academy status. The contract ends 30 December 2035 and the Finance Liability to

reimburse the associated initial capital expenditure of £22m is reduced annually based on IFRS accounting requirements and a complex model reflecting a number of cost elements. The model applied to calculate the annual reduction in the liability since 2009 was reviewed by the external auditors and the review indicated some inconsistencies in the original interpretation of the financial model as applied to the allocation of overall scheme costs. The model has been revised following discussion with EY and will be used for future years after the £1.929m understatement of the liability has been corrected in 2016/17.

9. At the time of writing the external audit process for 2015/16 is still ongoing and there are no issues identified that would prevent an unqualified audit opinion being issued. Work also continues in respect of the Whole of Government Accounts (WGA) return for 2015/16 and it is planned to have the audit of this aspect completed by HM Treasury's deadline of 21 October 2016. The Audit completion certificate cannot be issued until after the WGA audit is completed.

#### **Changes made to the Statement of Accounts certified by Chief Finance Officer 28<sup>th</sup> June 2016**

10. Appendix B sets out the changes made to the statement of accounts certified by the Chief Finance Officer on 28<sup>th</sup> June 2016. The majority of the changes are largely presentational in nature reflecting various incorrect classifications of specific items. There also some additional narratives added in respect of post Balance Sheet events, referendum on UK membership of the EU, and clarification of the substance of the Better Care Fund agreement with the CCG. None of the items impact on the financial position of the Council as reported at 31 March 2016.

#### **Uncorrected misstatements below the audit reporting threshold**

11. There were three misstatements identified during the audit that have not been adjusted in the statements but will be corrected in the year ended 31 March 2017. Income in respect of un ring fenced government grants had been over accrued for to the value of £0.275m, a creditor balance in respect of a completed finance lease had not been applied to a value of £0.272m (overstating expenditure) and the in year Minimum Revenue Provision charge overstated by £0.200m (overstating charge to General Fund).. Adjustment of the three items was not judged to significantly impact on the financial position of the Council as presented and relevant entries will be made in the accounts for the year ended 31 March 2017. The letter of representation (Appendix C) includes a confirmation at part E that, with the exception of the PFI liability, the Council has no other finance lease arrangements to disclose.

## **Letter of Representation**

12. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve a draft letter of representation to Ernst & Young, attached at Appendix C.

## **Reasons for decision**

13. As required by the Accounts and Audit Regulations the annual accounts must be published with the audit opinion no later than 30 September. In advance of this the accounts must have been approved by Members and to meet this requirement approval of the accounts is required at the 26<sup>th</sup> September 2016 Committee meeting. As the audit process is not yet completed recommendation 4 is made to allow for, if required, presentational and typographical changes to the statements before publication.

## **Council Priorities**

14. The effective management of the Council's financial resources and the associated risks supports the delivery of the Council's priorities.

## **Corporate Implications**

### **Legal Implications**

15. The Accounts and Audit Regulations 2011 require the Council to approve and publish annual accounts by 30 September following the end of the financial year.

### **Financial Implications**

16. The annual accounts report the financial position of the authority at the end of the financial year and are prepared under the International Financial Reporting Standards, as interpreted by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

### **Equalities Implications**

17. There are no equalities implications to this report.

### **Implications for Work Programming**

18. If the recommendations made in this report are approved by the Committee there will be no implications in respect of the work

programme of this Committee or further reports which might be considered by Members.

### **Conclusion and next Steps**

19. Following approval, in accordance with the Accounts and Audit Regulations 2015 and the completion of the external audit process, the Statement of Accounts 2015/16 and the public notice of the conclusion of the audit of accounts by Ernst & Young will both be published.

### **Appendices**

The following Appendices are attached:

- Appendix A – 2015/16 Statement of Accounts
- Appendix B – Schedule of Changes
- Appendix C – 2015/16 Letter of Representation

### **Background Papers**

None