

**“WE’VE GOT SOMETHING
YOU MIGHT LIKE TO SEE”**

Local Authority Statement of Accounts

Alison Scott, Head of Finance,
Audit Committee, December 2018



Purpose of the Accounts

- accountability to taxpayers and other stakeholders as to how public money is used.
- Narrative statement provides information on performance and future plans.
- Measures consumption of resources used in the provision of services
- Attempts to reconcile accounting measurement of resources used with charge to taxpayer.

Accounting Framework

- Local Authority Accounts are based on International Financial Reporting Standards (IFRS)
- Implemented for Local Authorities through the Code of Practice on Local Authority Accounting produced by CIPFA/LASAAC.
- Overseen by the Government's Financial Reporting Advisory Board (FRAB).
- Accounts and Audit Regulations set out key requirements:
 - Publication – Draft Accounts 31st May, Final Audited Accounts 31st July
 - Audit arrangements
 - Publication inspection rights.



Idiosyncrasies of Local Authority Accounts

Accounting under IFRS	Local Authority Accounting
Use of Assets – charges depreciation to write of asset over useful life.	Use of Assets – charges Minimum Revenue Provision to repay debt.
Pensions – charges difference between assets available to fund pensions and future liabilities.	Pensions – charges amount paid out in employer pension contributions.
Income and Expenditure – charged to period to which it relates.	Income and Expenditure – reflects statutory charge to council tax – e.g. changes for impairment of assets, council tax and NDR, holiday pay accruals.

Impact

- Comprehensive Income and Expenditure Statement
 - shows how resources have been generated and expended in accordance with International Financial Reporting Standards (IFRS)
- Movement in Reserves Statement
 - the authority has generated and expended resources in the year; and
 - the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end. – the ‘funny money’

Impact

- Balance Sheet
 - presents an authority's financial position, ie its net resources at the financial year end, composed of two main balancing parts.
 - net assets part shows the assets the authority would have control of after settling all its liabilities.
 - balance of these assets and liabilities shown as being attributable to the various reserves of the authority, including Capital Adjustment Account and Pensions Reserve to hold difference between IFRS and local authority accounting

Confusing?

- Expenditure and Funding Analysis
 - shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
 - also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments.

Annual Governance Statement

- fulfils the statutory requirement to conduct a review at least once in each financial year of the effectiveness of the system of internal control and to include a statement reporting on the review with the Statement of Accounts.
- provides an account of the processes, systems and records which demonstrate assurance for the effectiveness of the framework of governance.
- Signed by the Chief Executive and Leader of the Council on behalf of ‘those charged with governance’

Role of the Audit Committee

- Review the annual statement of accounts.
 - to consider whether appropriate accounting policies have been followed and
 - whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- Review the Annual Governance Statement prior to approval
 - to consider whether it properly reflects the risk environment
 - taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- Consider the external auditor's annual letter.
- Approve the statutory Statement of Accounts.

Any Questions?

