

## AUDIT & GOVERNANCE COMMITTEE – 14 SEPTEMBER 2016

### STATEMENT OF ACCOUNTS 2015/16

#### Report by the Chief Finance Officer

#### Introduction

1. The Accounts and Audit Regulations 2015 require the Chief Finance Officer to sign the Statement of Accounts 2015/16 no later than 30 June 2016 and certify that they give a true and fair view of the County Council's financial position and income and expenditure for the year. This was achieved on 29 June 2016. The Regulations require the Statement of Accounts to be considered by a committee of the Council by 30 September 2016 and, following that consideration, to be approved by a resolution of that committee. The Regulations also require that, following approval, the Statement of Accounts is signed and dated by the chairman of the committee approving the accounts. The Chief Finance Officer must re-certify the Statement of Accounts before the committee approves it.
2. Following changes to the public inspection requirements introduced by the 2015 Regulations, this Committee agreed to receive the statement of accounts once only, after the accounts have been audited, and forgo receiving the draft version made available for public inspection.

#### Summary Accounts

3. The Summary Accounts (Annex 1) provide a much simplified presentation of the financial position of the Council and its income and expenditure for the year. These have been made available to members of the public alongside the draft Statement of Accounts on the Council's website.

#### Statement of Accounts

4. The Statement of Accounts 2015/16 is attached at Annex 2. This version includes changes made to the draft accounts as agreed with the auditors as set out below. The Statement of Accounts includes the new Narrative Report commenting on the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year, which replaces the previous foreword to the accounts. It also includes the Annual Governance Statement being considered elsewhere on the agenda.
5. The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 'Code') and the 2015/16 Code Update issued in January 2016.
6. The core financial statements comprise a Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement, together with accompanying notes. The statement of accounts also includes the Firefighters Pension Fund Accounts and the Oxfordshire Local Government Pension Fund Accounts.
7. The main change to accounting policies for 2015/16 relates to the Code adoption of IFRS13 *Fair Value Measurement*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The new financial standard has been applied prospectively from 2015/16 and prior year figures have not been restated. The measurement basis for Surplus Assets has changed to market value as a result of the

adoption of the new standard and Investment Properties are measured at their highest and best use. Additional fair value disclosures are also included in the notes to the accounts.

### **Changes to the draft accounts**

- Ernst & Young LLP's draft annual governance reports set out that no audit issues have been identified as yet during the course of the audit of the main accounts or the Pension Fund accounts, although the audit is still on-going. Small changes to the Narrative Report, some of the notes to the core financial statements, the Fire-fighters Pension Fund Accounts and the notes to the Local Government Pension Fund Accounts have been agreed with the auditors, however these are not significant enough to be reported in their annual governance reports. There are no changes to the core financial statements. The changes that have been made are set out below.

#### Narrative Report

- In the performance overview, the number of Fire & Rescue Service emergency calls during the year has been updated.

#### Notes to the Core Financial Statements

- Note 2 Critical judgements in applying accounting policies – this has been updated to clarify the basis on which the judgements have been made.
- Note 30 Private Finance Initiative (PFI) and similar contracts – a table has been added to show how the liability for the service concession arrangement reconciles to the finance liability recorded on the Balance Sheet.
- Note 62 Material post balance sheet events – a note has been added regarding the referendum vote to leave the European Union.
- Note 63 Changes in accounting policy – reference to the size of the increase in the value of transport infrastructure assets that will arise as a result of adopting a depreciated replacement cost valuation basis has been removed as further guidance on how this should be calculated is still awaited.

#### Fire Fighters' Pension Fund Accounts

- The signage in the Net Assets Statement has been corrected as this was the wrong way round due to a formula error.

#### The Local Government Pension Fund Accounts

- Note 1 Description of the fund – details of the number of scheduled and admitted bodies joining and leaving the scheme has been updated.
- Note 21 Top 5 holdings – the fifth largest holding has been updated from Blackrock UK Property Fund (£15.488m, 0.84%) to Bunzi (£13.120m, 0.71%).
- Note 28 Risk – the table headings for other price risk have been amended to clarify that the figures quoted are total asset values and not movements in asset values.
- Note 29 Events after the balance sheet date - a note has been added regarding the referendum vote to leave the European Union.

## **Letters of Representation**

19. Auditing standards require Ernst & Young LLP to obtain representations from management on certain matters material to their audit opinion. Separate letters of representation are required for the Oxfordshire County Council accounts and the Local Government Pension Fund accounts. The Audit & Governance Committee is required to consider and approve the letters of representation before they are signed by the Chief Finance Officer and the Chairman of the Committee.

## **Objection to the accounts**

20. The Council has received a copy of an objection made to the accounts by a local government elector for the area in accordance with the Local Audit and Accountability Act 2014. The objection concerns Lender's Option Borrower's Option loans and is being considered by Ernst & Young LLP.

## **Conclusion**

21. No material errors in the Statement of Accounts have been identified during the course of the audit. Some minor amendments have been made to the notes to the main accounts, the Fire-fighters Pension Fund Accounts and the notes to the Local Government Pension Fund Accounts.

## **RECOMMENDATION**

22. **The Committee is RECOMMENDED to:**
  - (a) **Note the Summary Accounts 2015/16 at Annex 1;**
  - (b) **Consider and approve the Statement of Accounts 2015/16 at Annex 2;**
  - (c) **Consider and approve the Letter of Representation 2015/16 for the Oxfordshire County Council accounts;**
  - (d) **Consider and approve the Letter of Representation 2015/16 for the Oxfordshire Pension Fund accounts;**
  - (e) **Agree that the Chief Finance Officer, in consultation with the Chairman of the Committee, can make any further changes to the Statement of Accounts 2015/16 and/or the letters of representation that may arise during completion of the audit.**

LORNA BAXTER

Chief Finance Officer

Background Papers: Nil.

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