

Corporate Audit Committee

Audit Committee Briefing Understanding the Accounts

29th September 2011

Understanding the Accounts

Outline

- Introduction
- International Financial Reporting Standards
- Financial Statements

Understanding the Accounts

Introduction

Timetable

- The Council publishes its draft Statement of Accounts by the end June each year – certified by S151 Officer
- The draft accounts are audited by our external auditors during June to September
- During this time there is an opportunity for the public to inspect the accounts
- The final audited Statement of Accounts are approved by the Corporate Audit Committee by the end of September

Understanding the Accounts

Introduction

Format of Financial Statements

- Format is prescribed by the CIPFA Code of Practice & Guidance – standardised to allow comparison across Councils
 - Explanatory Foreword
 - Statement of Responsibilities
 - Movement in Reserves
 - Comprehensive income & expenditure account
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Accounts
 - Collection Fund

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Introduction

Purpose of Financial Statements

- **To give Councillors, officers, residents, customers and other interested parties information about the Council's financial position**

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International Financial Reporting Standards

Background

- **Aim of IFRS is to harmonise global financial reporting**
- **The 2007 Budget announced that the UK public sector would adopt IFRS**
- **Central government and NHS implemented in 2009/10**
- **Local government implemented in 2010/11**

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International Financial Reporting Standards

What are the significant changes ?

- **New statements and amended layouts**
- **More disclosures – bigger set of accounts**
- **Component Accounting – separate depreciation of significant components of assets**
- **Segmental reporting note**
- **Leases – major review**
- **Government grants**
- **Short-term accumulating compensation absences (annual and flexi leave untaken at year end)**

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Main Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

- **Equivalent of a private sector company Profit & Loss Account**
- **Shows the cost for the year of providing services in line with required accounting practices**
- **Produces the statutory accounting result which is prepared on a different basis to the Council's regular budget monitoring and outturn reports**

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Main Financial Statements

Balance Sheet

- Shows the value of assets & liabilities recognised by the Council
- Net assets (assets less liabilities) are matched by reserves held
- Reserves are split into two main categories:
 - Usable Reserves: can be used to provide services
 - Unusable Reserves: can't be used to provide services

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Main Financial Statements

Movement in Reserves Statement

- **Shows movement in the year on different reserves held by the Council**
- **Surplus / Deficit on Provision of Services line shows true economic cost of providing the Council's Services – links to CIES**
- **Closing balances of reserves – links to bottom section of the Balance Sheet**

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Main Financial Statements

Cashflow Statement

- Shows how cash held at the bank and in investments has been received and used during the year
- Cashflow statement is broken down into:
 - a) Net cash flows from Operating Activities
 - b) Net cash flows from Investing and Financing Activities
 - c) Total net increase or decrease in cash or equivalents
 - d) Cash and cash equivalents held at the end of the reporting period

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Notes to the Accounts

Disclosure Notes – changes

- **Accounting policies**
- **Assumptions and estimation techniques**
- **Segmental reporting**
- **Leases**
- **Investment properties**

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Notes to the Accounts

Disclosure Notes – segmental reporting

- **New requirements for segmental reporting this year**
- **Aim to provide greater transparency**
- **A matrix report showing type of expenditure by type of service area in the Council's internal reporting format**
- **Reconciliation to the Net Cost of Services and the surplus/deficit on Provision of Services in the CIES which shows all items required to be included in the statutory accounting surplus or deficit**

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Financial Statements

Collection Fund

Legal requirement to maintain this fund separately from all other funds and accounts of the council. It shows:

- **Transactions arising because B&NES is billing authority:**
 - **collection of council tax on behalf of precepting authorities**
 - **collection of business rates on behalf of central government**
- **Amounts paid out to preceptors and central government**

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Financial Statements

Are there any questions ?