

 Finance & Audit Scrutiny Committee - 29 July 2014		Agenda Item No. <div style="text-align: right; font-size: 2em;">5</div>
Title	Draft Statement of Accounts 2013/14	
For further information about this report please contact	Marcus Miskinis Tel 01926 456804 marcus.miskinis@warwickdc.gov.uk	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	Executive 11 June 2014 – Final Accounts 2013/14	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	14/07/14	Andrew Jones
Head of Service	11/07/14	Mike Snow
CMT	14/07/14	CMT
Section 151 Officer	11/07/14	Mike Snow
Monitoring Officer	N/A	
Finance	N/A	Finance Report
Portfolio Holder(s)	11/07/14	Councillor Cross
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		No
Suggested next steps (if not final decision please set out below)		
The Statement of Accounts 2013/14 will be subjected to External Audit and the Audited Accounts will be presented to this Committee and Council in September 2014 for formal approval.		

1. SUMMARY

- 1.1 The accounts have been closed in respect of the financial year 2013/14 and the outturn duly reported to the Executive in June.
- 1.2 The draft Statement of Accounts 2013/14 has now been produced and will be subject to Audit up to the end of September. The Audited Statement of Accounts will be presented to this Committee and Council in September for formal approval.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee notes the pre-audit Statements.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 As part of corporate governance, Members have an important role in overseeing the framework of internal control of the Council. Although the Statements are still subject to audit, it is considered helpful to Members to get an early sight of them.

4. POLICY FRAMEWORK

- 4.1 **Policy Framework** – The Statement of Accounts for 2013/14 represents an historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a historical presentation of the past year's operations.

5. BUDGETARY FRAMEWORK

- 5.1 The Statement of Accounts 2013/14 is a historic account of the financial performance of the year and shows comparison with the budget (where appropriate) for 2013/14 and the results for 2012/13.
- 5.2 Full details looking at the outturn for the year against the agreed budget was included within the Final Accounts report to the Executive in June.
- 5.3 The Finance and Audit Scrutiny Committee were presented in May with the Grant Thornton "Guide to Local Authority Accounts". This guide should help members understand the accounts and scrutinise any matters.

6. RISKS

- 6.1 The main risk is that External Audit identifies significant errors in the accounts that require amendment.

7. ALTERNATIVE OPTION(S) CONSIDERED

7.1 Not to review the pre-audit statements.

8. BACKGROUND

- 8.1 The accounts have been compiled so as to comply with the appropriate accounting standards and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- 8.2 The Accounts and Audit (England) Regulations 2011 require the responsible financial officer to sign and date the statement of accounts by no later than 30 June immediately following the yearend.
- 8.3 An advertisement was placed in local newspapers and on the Council's website on 27 June informing electors of their rights to inspect the accounts between 21 July and 15 August and to question the auditor about those accounts from 15 August until the conclusion of the Audit.
- 8.4 The Regulations also require that members approve the audited accounts by no later than 30 September. Consequently, meetings have been set up for 23 and 24 September for the Finance and Audit Scrutiny Committee and Council, respectively, to meet their responsibilities.
- 8.5 Although not required by the regulations, this report provides members of the Finance and Audit Scrutiny Committee the opportunity to see the pre-audit Statements.

9. ANNUAL GOVERNANCE STATEMENT

- 9.1 The Accounts and Audit (England) Regulations 2011 require local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and include a statement on internal control in any Statement of Accounts. The regulations require local authorities to produce the statement in accordance with 'proper practices in relation to internal control'.
- 9.2 Following various reviews a new Framework has been put in place which recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement.
- 9.3 To support the conclusions in the Annual Governance Statement, each year a review is to be carried out of the system of internal control to highlight any serious control issues and actions needed to deal with them.
- 9.4 The Annual Governance Statement, containing the findings of the review, is appended to the Statement of Accounts. The format, and part of the wording, is based on a pro forma suggested by CIPFA and SOLACE (Society of Local Authority Chief Executives).
- 9.5 As expected, for an authority of our size, the review identified a number of areas for improvement in internal control and these form a series of actions to

take. The progress on the actions coming out of the Annual Governance Statement is regularly monitored by the Senior Management Team.

- 9.6 In accordance with the Council's Constitution, the Annual Governance is due to be approved by the Standards Committee at its meeting on 9 September.

10. STATEMENT OF ACCOUNTS

- 10.1 The Statement of Accounts has been prepared using principles and practices of accounting which 'presents a true and fair view' of the financial position and transactions of the Council. 'Proper accounting practices' are deemed to be those specified in CIPFA's "Code of Practice on Local Authority Accounting in the United Kingdom 2013/14" ("the Code") which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.
- 10.2 As a consequence of the above, the Statements are required to be shown in a format which more closely follows that used to produce commercial accounts.
- 10.3 The Statements are required to include any known changes up to the audit date. Since the Final Accounts Report to the Executive in June the Council has received formal valuations of its assets from the District Valuer which has resulted in a small amount of impairment of £8,000 in respect of General Fund assets and a reversal of past impairments of HRA assets totalling £16.5m. Accordingly these changes have been incorporated into the Statement of Accounts.
- 10.4 The Statement of Accounts comprises four primary statements plus two supplementary statements that reflect specific activities of a shire district council – the Housing Revenue Account and the Collection Fund. Appendix 'B' provides a guide to the primary statements.
- 10.5 The first primary statement is the Movement in Reserves Statement (page 11). This shows the movement in the year on the different reserves held by the Council and analyses them into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (i.e. 'unusable reserves'). The statement shows the true economic cost of providing the Council's services, the statutory adjustments required for tax and rent setting and the use of any earmarked reserves.
- 10.6 The second primary statement is the Comprehensive Income and Expenditure Statement (page 12). This is a more detailed analysis of the true economic cost of providing services referred to above. Although it would appear that the Council is operating at a large surplus, this is mainly due to the HRA impairments reversal (-£16.5m) and the new accounting regime operating in the wake of HRA Self Financing in 2011/12, whereby the Council is putting aside resources to build more homes.
- 10.7 The Balance Sheet (page 13) is a relatively simple statement with the details now being provided in the notes.
- 10.8 Similarly, the Cash Flow Statement (page 14) is a more abridged version with the notes providing the details. The IFRS Cash Flow statement includes both

cash and cash equivalents i.e. non-cash items that can be quickly liquidated, such as short term investments.

- 10.9 There has been one significant change in the accounting standards since last year. This is in respect of IAS19 Employee Benefits. This has resulted in the need to update the 2012/13 comparator data, although there is no change in the final balances.
- 10.10 A major change in accounting practice is in respect of the Collection Fund. Council tax benefits were previously included in service expenditure and income under "Central Services to the Public" in the Comprehensive Income and Expenditure Statement. This has now been replaced by a local Council Tax Reduction Scheme which is accounted for in the Collection Fund Statement.
- 10.11 The Retention of Business Rates, from April 2013, has also had an impact on the accounts. Under the former regime the Council acted as an agent for Central Government and all transactions were, consequently, outside the Council's accounts with just a simple debtor or creditor in the balance sheet depending on how the balance was at the year end. Under the new regime, the Council has a share of the transactions – surplus / deficit, arrears, bad debt provisions etc. – which now appear in the relevant part of the Balance Sheet.
- 10.12 These accounts will be audited during August and September. The Statements and notes will be adjusted by any material items found during the audit and the responsible financial officer will recertify them prior to them being presented to this Committee again and to Council for formal adoption. The deadline for this is 30 September and, accordingly, new meetings have been arranged for 23 and 24 September for this committee and Council, respectively, in order that this deadline can be achieved.