

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **15th JULY 2014**

SUBJECT: **STATEMENT OF ACCOUNTS 2013/14**

REPORT FROM: **ASSISTANT DIRECTOR OF RESOURCES & REGULATION (FINANCE AND EFFICIENCY)**

CONTACT OFFICER: **STEVE KENYON, ASSISTANT DIRECTOR OF RESOURCES & REGULATION (FINANCE AND EFFICIENCY)**

TYPE OF DECISION: **COUNCIL**

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The report provides Members with details of the Authority's audited Statement of Accounts for the financial year ended 31 March 2014.

The pre-audited Statement of Accounts was approved by the Responsible Finance Officer on 5 June 2014. The accounts have now been audited and Members are asked to note:

Only one audit adjustment has been identified that is presentational and this **does not** that have an impact on the Council's revenue, capital or HRA outturn for 2013/14 i.e. no bottom line adjustments;

One other audit adjustment has been identified that does not require correcting due to the immaterial impact on the accounts;

Six recommendations have been made. The auditors have classified two as high priority, one as medium priority and three as low priority. Actions are being taken to address these;

The quality of the Council's accounts and working papers have remained at a high level;

For the first year the Council is able to present its audited accounts to Members 2 ½ months earlier than the statutory deadline and KPMG are to be thanked for their part in achieving this;

A notice will be placed advertising the completion

of the audit and how members of the public can access copies of the statement and summary of accounts.

This report is to be considered along with the ISA (UK+I) 260 "*Communication of Audit Matters with those Charged with Governance*" report which will be presented by KPMG as part of this meeting.

**OPTIONS &
RECOMMENDED OPTION**

Members are recommended to:

Approve the one presentational amendment to the Accounts recommended by KPMG;

Approve the final version of the Statement of Accounts for the 2013/14 financial year in line with the provisions of the Accounts and Audit Regulations (England) 2011;

Note the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement report (also on the agenda) presented by KPMG;

Approve the letter of representation signed by the Assistant Director of Resources (Finance and Efficiency) which will be presented at the meeting of the Audit Committee.

IMPLICATIONS:

Corporate Aims/Policy Framework:

Do the proposals accord with the Policy Framework? Yes

Statement by the Assistant Director of Resources (Finance & Efficiency):

The Statement of Accounts reflects the Authority's financial performance during 2013/14 and helps to shape budget strategy in future years.

Statement by Executive Director of Resources:

There are no wider resource implications.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

Yes

Are there any legal implications?

Yes. The production of the Authority's statutory accounts is a requirement of the Local Government Act 1972 and has been undertaken in compliance therewith and the Council's Financial Regulations (Financial Regulation A: Financial Management: 3.8.5). The report accords with the Council's Policy and Budget Framework and has been produced in accordance with all relevant Statutory Guidance and Codes of Practice.

Staffing/ICT/Property:

No specific implications

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

TRACKING/PROCESS

DIRECTOR: Mike Owen

Chief Executive/ Strategic Leadership Team	Cabinet Member /Chair	Ward Members	Partners
Yes	Yes		
Overview & Scrutiny Committee		Committee	Council
		Audit	

1.0 INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit Regulations (England) 2011 each year the Authority is required to produce the draft, unaudited Statement of Accounts before 30th June following the Balance Sheet date. The accounts are approved at this stage by the Responsible Finance Officer. For Bury Council the Responsible Finance Officer is the Assistant Director of Resources (Finance and Efficiency).
- 1.2 Once the draft Accounts have been approved they are subject to audit by, in our case, KPMG and a final copy of the Accounts containing the auditor's certificate and opinion must then be approved by Audit Committee before being published on or before the statutory publication date of 30th September.
- 1.3 The 2013/14 draft Accounts were approved by the Responsible Finance Officer (Section 151 Officer) on 5th June 2014 and KPMG commenced their audit of the accounts on Monday 9 June.
- 1.4 During the audit process the Accounts are 'placed on deposit' for 20 working days and during this time they are available for inspection by members of the public. At the end of this period the auditor is available for questioning by the public. This matter, and the dates on which the Accounts are on deposit, is advertised in the local press and for Members' information the 2013/14 Accounts were available for inspection at Bury Town Hall between 6th June and 4th July.
- 1.5 The figures shown within the Statement of Accounts correspond with the results which will be reported within the Corporate Revenue & HRA, Capital and Treasury Management Outturn Reports. These will be considered by the Cabinet on 16 July 2014 and the Overview & Scrutiny Committee on 30 July 2014 and will contain details of the Council's financial performance against budget and make recommendations on the application of carry-forward requests into 2014/2015 together with their impact on the use of General Fund balances.

2.0 THE FORMAT OF THE ACCOUNTS

- 2.1 The Statement of Accounts is attached at Appendix A and it contains the following financial statements:-

- § An Introduction by the Leader of the Council and Cabinet Member for Finance;
- § An Explanatory Foreword;
- § Summary of the Council's Financial Results;
- § Statement of Responsibilities;
- § Core Financial Statements:
 - § Movement In Reserves Statement;
 - § The Comprehensive Income and Expenditure Statement;
 - § Balance Sheet;
 - § Cash Flow Statement
- § Index for the Notes to the Core Financial Statements;
- § Notes to the Core Financial Statements including Accounting Policies;
- § The Housing Revenue Account;
- § The Collection Fund;
- § Group Accounts;
- § Glossary of Terms

2.2 A brief explanation of the purpose of these statements is given in the Explanatory Foreword on page 6 of the Accounts.

2.3 The format and contents of the Accounts are laid down in regulations and in the Code of Practice on Local Authority Accounting incorporating IFRS which we are required to follow. As a result the Authority has little or no discretion over what is shown.

2.4 The Council has continued to investigate ways in which the Accounts can be made more accessible to the community at large, especially through the use of plain English, summary information and through the internet. Similar to previous years, the 2013/14 Accounts can be translated into a number of different languages if required and can be made available in Braille and large print.

2.5 A quick and easy summary format of the accounts in order to make the accounts easier to understand and more informative, will continue to be provided, together with a feedback questionnaire to help make improvements to the document. These will again be placed on the Council's website and this facility will again be advertised in the local press. We will ensure that the Accounts continue to be presented in the professional format adopted last year on conclusion of the audit.

3.0 TECHNICAL CHANGES

3.1 The main changes that have impacted on the Accounts for 2013/14 are:

- i. Accounting for business rates retention - the Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. The accounts reflect new requirements for accounting for localisation of business rates and provisions for any business rate schemes where local authorities are permitted to retain an element of business rates growth;
- ii. Post Employment Benefits – changes to the classification, recognition, measurement and disclosure requirements;

- iii. Dedicated Schools Grant including the new requirement to disclose the figure recouped from the authority by the Department for Education for the conversion of maintained schools into academies;
- iv. Clarification in respect of revaluations for property, plant and equipment.

4.0 AMENDMENTS TO THE ACCOUNTS

- 4.1 For the 2013/14 financial year there is the continuation of the important development in the responsibilities of auditors in relation to any misstatements that they discover in the course of their work. Under International Standard of Auditing (UK and Ireland) (ISA (UK+I)) 330, auditors plan and perform their audit to provide reasonable assurance that the financial statements are free from material misstatement.
- 4.2 However, in carrying out their work, they will also happen across other misstatements/omissions that are not material and ISA (UK+I) 260 "*Communication of Audit Matters with those Charged with Governance*" requires auditors to report to Members all misstatements that have been advised to officers but not adjusted for.
- 4.3 The principal purposes of the communication with Members are for the auditors to ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of the auditors and Members; to share information to assist both the auditors and Members to fulfil their respective responsibilities; and to provide Members with constructive observations arising from the audit process.
- 4.4 KPMG (the auditors) have identified and recommended one presentational amendment to the Accounts that were approved by the Responsible Finance Officer on 5th June and this has been corrected by management and has **no impact on the Council's revenue, capital or HRA outturn** i.e. no bottom-line adjustment.
- 4.5 This amendment has been highlighted in KPMG's ISA260 report and has changed the Balance Sheet (Property, Plant and Equipment, Operational Assets, Other Land & Buildings plus Non-Operational Assets) on page 24 of the audited accounts which are attached to this report. It has also changed the Tangible Fixed Assets note (pages 76 to 78) and the Group Accounts Balance Sheet on page 116.
- 4.6 Paper copies highlighting the relevant changes will be provided to Members at the meeting.
- 4.7 Having discussed the suggested amendment with the auditors I am happy to agree to its inclusion within the Accounts. **Members are therefore recommended to approve these Accounts.**
- 4.8 In the last few years the Council has made continuous improvements to the accounts closure process in terms of its preparation and application and the results of this can be seen in a consistently good performance in terms of a reduced number of both audit adjustments and recommendations as reported in the ISA260:

	2013/ 14	2012/ 13	2011/ 12	2010/ 11	2009/ 10	2008/ 09	2007/ 08
Audit Adjustments	1	2	1	3	0	0	4
Recommendations	6	1	1	10	0	3	1
Recommendations outstanding from previous years	0	0	1	0	1	0	1

4.9 The Committee should also note that no audit matters of governance have been identified by KPMG.

5.0 MANAGEMENT LETTER

5.1 The authority is required by Auditing Standards to provide the auditor with written representations from management in respect of related party disclosures, compliance with laws and regulations, the accuracy of the financial statements, unadjusted audit differences, fraud and fair value measurements and disclosures. In addition the auditors also seek management representations in relation to contingent liabilities, post balance sheet events.

5.2 In a local government context it is appropriate for management representations to be discussed and approved by the full Council, the Audit Committee or any other committee which has been given delegated responsibility for approval of the financial statements under the Accounts and Audit Regulations (England) 2011. In Bury's case this is the Audit Committee and a letter of representation signed by the Assistant Director of Resources & Regulation (Finance and Efficiency) will require approval by Audit Committee.

6.0 ISSUES

6.1 I would like to thank all the staff involved in the achievement of the deadline for the close down process and pay tribute to the professional, diligent and courteous manner in which the auditors KPMG have discharged their duties.

STEVE KENYON
ASSISTANT DIRECTOR OF RESOURCES & REGULATION (FINANCE AND EFFICIENCY)

Background documents:

Various final accounts working papers held in the files of the Head of Financial Management.

For further information on the details of this report, please contact:

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