



Meeting: Audit Committee

Date: 24th September 2014

Wards Affected: All Wards

Report Title: Statement of Accounts 2013/14

Executive Lead Contact Details: Mayor Oliver

Supporting Officer Contact Details: Martin Phillips – Chief Accountant,
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1. Purpose and Introduction

- 1.1. The Account and Audit Regulations 2011 require approval of the Council's Statement of Accounts for the year ended 31 March 2014 by a committee of the Council before 30 September 2014. The Accounts show a true and fair view of the financial position of the Council's income and expenditure in 2013/14 and its assets and liabilities as at 31st March 2014.

2. Proposed Decision

- 2.1 **That Audit Committee review the accounts and consider the External Auditor's report and opinion on the accounts.**
- 2.2 **That Audit Committee approve the Annual Governance Statement, as set out in pages 121 to 131 of Appendix 2 to this report, and;**
- 2.3 **That following 2.1, Audit Committee approve the Council's Statement of Accounts for 2013/14, as set out in pages 16 to 120 of Appendix 2 to this report and;**
- 2.4 **That following approval in 2.3 above, the person presiding at this meeting shall sign and date the accounts on behalf of the Council, to represent the completion of the Council's approval process of the accounts, in the "Statement of Responsibilities for the Statement of Accounts" shown on page 17 of the Statement of Accounts.**
- 2.5 **That the Letter of Representation to Grant Thornton from the Council in relation to the 2013/14 Statement of Accounts, as set out in Appendix 1 to this report, be approved.**

3. Reasons for the Decision

- 3.1 The Account and Audit Regulations 2011 require approval of the 2013/14 Statement of Accounts for the year ended 31 March 2014 by a committee of the

Council before 30 September 2014. For Torbay the Audit Committee can “on behalf of the Council approve the annual statement of accounts” – report 156/2008 refers. In addition the Regulations require that the person presiding at the meeting shall sign and date the accounts. As a key part of this process the Audit Committee will consider these Accounts prior to approval, and will also receive and consider the External Auditor’s report and opinion on the accounts.

- 3.2 As required by the Account and Audit Regulations 2011 the Accounts were “authorised for issue” by the Council’s Chief Finance Officer on 13th June 2014 and have been available on the Council’s website since that date. The accounts, as required by the Regulations, were available for public scrutiny for 20 working days during July and August 2014. The Council’s External Auditor was also available from a specified day to deal with any representations from the public.
- 3.3 The annual external audit of the accounts by the Council’s appointed auditor, Grant Thornton, started in June 2014 and was substantially completed in line with the agreed timetable.
- 3.4 Grant Thornton will report on the Accounts to Audit Committee at this meeting which will enable members to consider the External Auditor’s report in their review and approval of the Accounts.
- 3.5 The Accounts presented to the Audit Committee are the Accounts as authorised for issue in June 2014, updated for any issues raised by the External auditor or any adjustments by Council officers up to early September 2014. If any subsequent alterations in respect of the accounts, as presented to this Committee, are recommended by the External Auditor these will be updated in the Accounts, along with any minor changes agreed with the External Auditor, prior to publication at the end of September 2014.
- 3.6 Council, in July 2014, considered specific reports on both revenue and capital spending during the last financial year and those reports are consistent with the financial information in the Statement of Accounts. The final Revenue outturn for 2013/14, after transfers to and from earmarked reserves, was a breakeven position.
- 3.7 Audit Committee, in June 2014, considered the Annual Governance Statement (AGS) and requested “That the Senior Management Team consider whether the Annual Governance Statement requires amending in light of the Internal Audit Annual Report”. As a result the Statement was considered by the Council’s Senior Management Team and additional information has been included. The revised AGS has to be published with the Statement of Accounts so has been included as part of appendix 2.

Paul Looby
Chief Finance Officer

Contact Officer: Martin Phillips
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Supporting information

Introduction and history

- A1.1 The principal legislation relating to the keeping of local authority accounts is contained in the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2011. Local authority accounts are required to present a “true and fair view” of the financial position of the authority. The audit requirements of accounts are contained in the Audit Commission Act 1998.
- A1.2 The Account and Audit Regulations 2011 regulations require that the responsible financial officer of the Council shall sign by 30th June each year the Statement of Accounts and certify that it presents a “true and fair” view of both the financial position of the Council at the end of the year to which it relates and its income and expenditure. The Council’s responsible financial officer, Paul Looby, has certified the Accounts at page 19.
- A1.3 The Regulations also require approval of the Statement of Accounts by a committee of the Council before September 30th each year. For Torbay this is the Audit Committee. In addition the Regulations require that the person presiding at this meeting shall sign and date the accounts.
- A1.4 The Statement of Responsibilities for the Statement of Accounts to be signed by the person presiding at this meeting is on page 18 within the Statement of Accounts. The intention behind this requirement is that the signature of the person presiding at the meeting shall formally represent the completion of the Council’s approval process of the accounts.
- A1.5 The Council as part of the process of the external auditor’s opinion on the Accounts is also required to complete a letter of representation to confirm that all relevant information has been disclosed and made available to the auditor. This letter for 2013/14 is shown in appendix 1.

A2. Whole Government Accounts Agenda

- A2.1 The requirement of the Accounts and Audit Regulations 2011 to “authorise for issue” a (pre audit) copy of the Council’s Accounts by 30th June is part of the Whole Government Accounts (WGA) agenda. This is to ensure that all public sector bodies produce their own accounts by 30th June each year. From these accounts each body is required to complete an audited WGA return which excludes all transactions and balances with other bodies, so that HM Treasury can produce a set of accounts that represents the income, expenditure, assets and liabilities of the whole public sector.
- A2.2 These requirements place pressures on finance and service staff to produce the information required in a short time period. It should be noted that although the Statement of Accounts is produced by Financial Services the support of service staff, who order, authorise and control income and expenditure is vital in this process. The Chief Finance Officer and his staff, again, recognise the support given by service staff and without their support this timetable would not have been met.

- A2.3 As part of the changes in Local Audit arrangements the DCLG in June 2014 consulted on a number of changes including, from 2017/18, to bring forward the date of issuing the accounts from end of June to end of May and bringing forward the external audit certification from end of September to end of July.
- A2.4 This change will be challenging for Councils' to meet this earlier deadline along with significant changes in accounting expected in future years, however it is also a major challenge for external auditors in providing an appropriate audit service in such a short period of time to all Councils along with other public sector bodies.

A3. Group Accounts and Partnership Working

- A3.1 A key issue that affects the closure of the Council's accounts is the requirement to include the accounts of other bodies where the Council has control or significant control.
- A3.2 The Council owns, or has influence on, a number of companies including TOR2, PLUSS, Careers South West, English Riviera Tourism Company, Torbay Economic Development Company and the Oldway Mansion Management Company. These are accounted for, if material, as subsidiary or associate companies depending on the level of Council's control/ownership.
- A3.3 This places additional work on finance staff, both within the Council and within the companies to produce information on an International Financial Reporting Standards (IFRS) basis in a short period to meet the deadline of 30th June. This is a particular pressure for the companies as the timetable for Councils to issue accounts is six months earlier than the timetable for Companies to issue accounts. The Chief Finance Officer and his staff, again, recognise the support given by staff within these companies and without their support this timetable would not have been met. With the potential earlier production of Council accounts, by end of May each year, this will also impact on the related companies.
- A3.4 The partnership for Adult Social care with the Torbay and Southern Devon Health and Care NHS Trust requires the Trust to provide final account information to the Council promptly for inclusion within its accounts. The information has always been provided within agreed timetables.
- A3.5 In addition the Council has to disclose details of all arrangements with other bodies that could be classified as a related party or pooled budget arrangement such as the Devon Audit Shared Services Joint Committee. It is vital that the Council has an understanding of all the "partnerships" and joint working arrangements it has entered into, particularly in terms of legal issues, financial control and any risks and/or rewards the Council has from the arrangement.

A4 2013/14 Statement of Accounts

- A4.1 The Accounts are included within the "Financial Reports and Accounts for the Year 2013/14" as shown in appendix 2. The Accounts are produced in line with IFRS and "proper practice" issued by CIPFA. As a result it is a technical document with its content and format largely prescribed by guidance and legislation.

- A4.2 If any Member would like any questions answered on interpreting the Accounts and IFRS you can contact Martin Phillips or Paul Looby who will endeavour to help. The contact details are in the heading to this report.
- A4.3 The other information included in the Financial Report, i.e the Operating and Financial Review and Annual Governance Statement that was presented to Audit Committee in June 2014, are published along with the Accounts.
- A4.4 In addition summary financial information based on the Council's Accounts will be in the Council's annual report for 2013/14.
- A4.5 The Council's accounting policies, which underpin the information within the Statement of Accounts, are reviewed on an annual basis by the Chief Finance Office to ensure that the selection of the accounting policies is consistent with the latest guidance and standards (IAS8). The Council's Accounting Policies are shown within the Statement of Accounts on pages 90 to 115 and are part of the approval of the Accounts.

A5. Other Final Accounts Requirements

- A5.1 The Approval of the Council's statutory Statement of Accounts is an important part of the final accounts process; however there are other requirements that relate to 2013/14 year end. These include:
- WGA Return, subject to external audit
 - Revenue and Capital Central Government returns on 2013/14
 - Schools related "section 252" return
 - Grant claims which will be subject to external audit
 - The publication of the Statement of Accounts
 - Inclusion of financial information in Council's annual report
 - Publishing (and advertising) the Accounts and completion of the audit

A6 Local Audit and Accountability Bill

- A6.1 In August 2010, the Secretary of State for Communities and Local Government announced plans for new arrangements to audit local public bodies in England. In January 2014, the Local Audit and Accountability Act received Royal Assent.

<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted/data.htm>

Secondary legislation is now needed to give effect to the new local audit arrangements which is being consulted on, (see para A2.3).

- A6.2 A key aspect of the act is to enable Councils to appoint an external auditor, who should be appointed at least every five years. The Audit Commission's appointment of Grant Thornton as the Council's auditor for a minimum period of five years from 2012/13 reduces any immediate impact of this bill on the Council as the first year the Council could appoint its own external auditor is for the 2017/18 financial year, when the Council would have to make an appointment by the end of 2016. Officers will consider the implications of this and procurement options and will report back to Audit Committee.

A7 Transport Infrastructure Assets

A7.1 It is expected that from the 2016/17 accounts, which will include a restated 2015/16, CIPFA will introduce a new method of accounting for transport infrastructure assets (road, footpaths, traffic signals etc). This is expected to have a significant impact on Torbay's accounts both from the increase in value of assets that will be recognised, over £0.8 billion, but also on the Council's highways and finance teams in recording and accounting for these assets on a gross replacement cost and a depreciated replacement cost basis, where the value of an asset is linked to its condition and the future maintenance and replacement cost.

A8 Possibilities and Options

A8.1 Approval of the Accounts by 30th September 2014 is a statutory requirement.

A.9 Preferred Solution /Option

A9.1 As set out in the recommendation.

A.10 Risks

A10.1 Impact on Council's reputation and negative external auditor comments if Accounts are not approved by 30th September.

A11 Consultation

A11.1 The Accounts have been on the Council website since June 2014 and there has been an advertised public inspection period.

Appendices

Appendix 1 – Letter of Representation

Appendix 2 – Financial Reports and Accounts for the year 2013/14