



**Meeting:** Audit Committee

**Date:** 29<sup>th</sup> July 2015

**Wards Affected:** All Wards

**Report Title:** Statement of Accounts and Annual Governance Statement 2014/15

**Executive Lead Contact Details:** Mayor Oliver

**Supporting Officer Contact Details:** Martin Phillips – Chief Finance Officer,  
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## **1. Purpose and Introduction**

- 1.1. The Accounts and Audit Regulations 2011 require approval of the Council's Statement of Accounts for the year ended 31 March 2015 by a committee of the Council before 30 September 2015. The Accounts show a true and fair view of the financial position of the Council's income and expenditure for the year 2014/15 and its assets and liabilities as at 31 March 2015.
- 1.2 The same regulations, require approval of an Annual Governance Statement to inform Members of the Council's Governance and Internal Control framework and any significant control issues

## **2. Proposed Decision**

- 2.1 **That Audit Committee review the accounts including the significant accounting policies 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 98 to 110 of Appendix 2 to this report, and;**
  - 2.3 **That following 2.1, Audit Committee approve the Council's Statement of Accounts for 2014/15, as set out in pages 14 to 97 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 16 of the Statement of Accounts.**
  - 2.5 **That the Letter of Representation to Grant Thornton from the Council in relation to the 2014/15 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 2014/15 Statement of Accounts for the year ended 31 March 2015 by a committee of the Council before 30 September 2015. 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 13 June 2015 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 June and July 2015. 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 2015 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 2015, updated for any issues raised by the External auditor or any adjustments by Council officers up to mid July 2015. 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 shortly after approval by Audit Committee and receipt of the external auditors “signed opinion”.
- 3.6 Council, in July 2015, 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 2014/15, after transfers to and from earmarked reserves, was a breakeven position.

Martin Phillips  
Chief Finance Officer

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## **Supporting information**

### **A1 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 30<sup>th</sup> 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, Martin Phillips, has certified the Accounts at page 17.
- 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 16 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 2014/15 is shown in appendix 1 (to follow).

### **A2 Accounts and Audit Regulations for 2015**

- A2.1 The Accounts and Audit Regulations 2011 have been revoked and the new accounts and Audit Regulations 2015 came into force on the 1 April 2015. These regulations will require Councils to bring forward the:-
- Publication of the unaudited accounts, signed by the Chief Finance Officer, to the 31<sup>st</sup> May. This is one month earlier than the 2011 regulations. The public inspection period has been extended by 10 days to 30 days.
  - Final publication of the audited accounts by the 31<sup>st</sup> July, this is two months earlier than the 2011 regulations. The 31<sup>st</sup> July deadline will also apply to the Annual Governance Statement.
- A2.2 There is, however, a transitory provision within the regulations, which means the new timetable will apply to the 2017 /18 Accounts and Annual Governance Statement.

A2.3 This change will be challenging for the Council to meet this earlier deadline along with significant changes in accounting expected in future years e.g. changes to the accounting for Transport Infrastructure Assets. This will inevitably place additional pressure on the finance team between March and July each year. 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. Whole Government Accounts Agenda**

A3.1 The requirement of the Accounts and Audit Regulations 2011 to "authorise for issue" a (pre audit) copy of the Council's Accounts by 30<sup>th</sup> June is part of the Whole Government Accounts (WGA) agenda. This is to ensure that all public sector bodies produce their own accounts by 30<sup>th</sup> 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.

A3.2 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.

A3.3 The timetable changes contained in the Accounts and Audit Regulations 2015, see paragraph A2 above, have been driven by the WGA agenda.

### **A4. Group Accounts and Partnership Working**

A4.1 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.

A4.2 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.

A4.3 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 30<sup>th</sup> 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. From 2017/18 with the earlier production of Council accounts, by end of May each year, this will also impact on the related companies.

- A4.4 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.
- A4.5 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 Partnership 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.

## **A5 2014/15 Statement of Accounts**

- A5.1 The Accounts are included within the “Financial Reports and Accounts for the Year 2014/15” 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.
- A5.2 If any Member would like any questions answered on interpreting the Accounts and IFRS you can contact Martin Phillips who will endeavour to help. The contact details are in the heading to this report.
- A5.3 The other information included in the Financial Report, i.e the Operating and Financial Review and Annual Governance Statement are published with the Accounts.
- A5.4 The Council’s accounting policies, which underpin the information within the Statement of Accounts, are reviewed on an annual basis by the Chief Finance Officer to ensure that the selection of the accounting policies is consistent with the latest guidance and standards (IAS8). The Council’s Accounting Policies that are significant are shown within the Statement of Accounts on pages 84 to 94 and are part of the approval of the Accounts.
- A5.5 The Council has continued to follow CIPFA guidance to “Cut the Clutter” in published accounts and has again, with the assistance of Grant Thornton, reduced the size of the accounts in particular in relation to accounting policies.

## **A6 Annual Governance Statement**

- A6.1 As required by the Accounts and Audit Regulations as part of its annual review of its internal control system, the Council will prepare an Annual Governance Statement which is then approved by a committee of the Council, in this case Audit Committee, in advance of approving the statement of accounts.
- A6.2 The 2014/15 Annual Governance Statement is included in appendix two, pages 98 to 110, and is required to be published as part of the Statement of Accounts.

## **A7. Other Final Accounts Requirements**

A7.1 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 2014/15 year end. These include:

- WGA Return, subject to external audit
- Revenue and Capital Central Government returns on 2014/15
- Schools related "section 252" return
- Grant claims which will be subject to external audit
- The publication of the Statement of Accounts
- Publishing (and advertising) the Accounts and completion of the audit

## **A8 Local Audit and Accountability Act 2014**

A8.1 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>

A8.2 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 appointed Grant Thornton as the Council's external auditor for a minimum period of five years from 2012/13.

A8.3 The Audit Commission ceased to exist from 31<sup>st</sup> March 2015. The Secretary of State for Communities and Local Government delegated statutory functions to the new transitional body Public Sector Audit Appointments Ltd (PSAA). PSAA is an independent company limited by guarantee which was established by the Local Government Association in August 2014. The company will manage council contracts with audit firms until they expire in 2017. There is currently consultation on whether to extend the existing contracts by three years to 2020.

## **A9 Transport Infrastructure Assets**

A9.1 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, potentially by up to £1.0 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.

## **A10 Possibilities and Options**

A10.1 Approval of the Accounts by 30<sup>th</sup> September 2015 is a statutory requirement.

## **A.11 Preferred Solution /Option**

A11.1 As set out in the recommendation.

## **A.12 Risks**

A12.1 Impact on Council's reputation and negative external auditor comments if Accounts are not approved by 30<sup>th</sup> September.

## **A13 Consultation**

A13.1 The unaudited Accounts have been on the Council website since June 2015 and there has been an advertised public inspection period.

## **Appendices**

Appendix 1 – Letter of Representation (To follow)

Appendix 2 – Financial Reports and Accounts for the year 2014/15