



COUNCIL

AGENDA ITEM (9)

STATEMENT OF ACCOUNTS 2013/14

Accountable Member	Council
Accountable Officer	Jenny Poole Chief Finance Officer 01285 623313 jenny.poole@cotswold.gov.uk

Purpose of Report	To present the audited Statement of Accounts 2013/14 for approval.
Recommendations	(a) That the contents of the report from the external auditor - Report of the Audit Findings for Cotswold District Council 2013/14 - be noted; (b) that the Annual Governance Statement for 2013/14 be approved; (c) that the Statement of Accounts 2013/14 be approved.
Reason for Recommendation	The Council is statutorily obliged under the Accounts and Audit Regulations 2003 to publish its Statement of Accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting (the Code).

Ward(s) Affected	N/A
Key Decision	No
Recommendation to Council	N/A

Financial Implications	No additional implications result from accepting this report
Legal and Human Rights Implications	None
Environmental and Sustainability Implications	None
Human Resource Implications	None
Key Risks	By not approving the Statement of Accounts, the Council would fail to comply with the Regulations.

Equalities Impact Assessment	Not Required
Related Decisions	<p>Revenue Outturn Report 2013/14 - Cabinet - 3rd July 2014</p> <p>Annual Governance Statement 2013/14 and draft copy of the Core Statements from the Statement of Accounts - Audit and Scrutiny Committee - 15th July 2014</p> <p>The Audit and Scrutiny Committee will consider the following reports at its Meeting on 16th September 2014:-</p> <ul style="list-style-type: none"> • Grant Thornton report on the Audit Findings for Cotswold District Council 2013/14 • Statement of Accounts 2013/14 <p>Comments from the Audit and Scrutiny Committee will be reported to the Council to assist with the decision to approve the financial statements.</p>
Background Documents	None
Appendices	<p>Appendix 'A' - Grant Thornton Report - Report of the Audit Findings for Cotswold District Council 2013/14</p> <p>Appendix 'B' - Post Audit Statement of Accounts 2013/14 incorporating the Annual Governance Statement 2013/14 (circulated as a separate document with the agenda papers)</p>
Performance Management Follow Up	Publish approved Statement of Accounts

Background Information	
<p>1. The Council is required to consider and approve the financial statements for 2013/14. In order to support the decision, a report from the Council's external auditors (Grant Thornton) and the post-audit Statement of Accounts are attached at Appendices 'A' and 'B'. The Audit and Scrutiny Committee will consider the documents at its Meeting on 16th September 2014. Comments from that Committee will be reported to the Council to support consideration of this report.</p>	
<p>2. <u>The Audit Findings for the Council 2013/14</u></p>	
<p>2.1 The Grant Thornton report - "Audit Findings for Cotswold District Council", which is attached at Appendix 'A', highlights the key matters arising from the external audit of the Council's financial statements for the year ended 31st March 2014. It is used to report the audit findings to management and to those charged with governance, in accordance with the requirements of International Standard on Auditing 260 (ISA).</p>	
<p>2.2 At the time of preparing this report, external audit work on the financial statements is substantially complete. Representatives from Grant Thornton will be present at the Council Meeting to respond to any queries from Members.</p>	
<p>2.3 <u>Audit Opinion on the Financial Statements</u></p>	
<p>2.3.1 It is anticipated that an unqualified audit opinion will be issued on the financial statements.</p>	
<p>2.3.2 Details of adjustments to the draft financial statements are included on pages 14-16 of the report at Appendix 'A'.</p>	

2.3.3 There is one item identified as a misstatement by Grant Thornton which is not being adjusted within the financial statements. The transaction relates to the establishment of a provision to offset any exchange rate losses which may occur in the future. The Council still holds the balance of the "Glitnir investment" in Icelandic Krona, pending a decision by the Central Bank of Iceland to enable the currency to be converted to sterling. The correct accounting treatment would be to establish an earmarked reserve rather than a provision. Although not strictly in compliance with accounting standards, the Chief Finance Officer has decided not to adjust the statements, as the establishment of the provision provides greater transparency in relation to this transaction. The accounting treatment will be reviewed during the preparation of the 2014/15 financial statements.

2.4 Value for Money Opinion

It is anticipated that an unqualified value for money conclusion will be issued.

2.5 Internal Control Issues

The auditor has considered the Council's internal controls relevant to the preparation of the financial statement. Two matters have been identified for consideration by the Council:

- (i) Testing identified a number of employees without copies of signed employee contracts on file. It is recommended that all staff employed have a relevant up-to-date signed contract on their personnel file. A significant amount of work has already been carried out on this matter and it is expected that work will be completed by November.
- (ii) The auditors have identified that although the Deputy s.151 Officer carries out a review of all journal entries posted in to the ledger, the review has not been evidenced by him signing and dating the report. This recommended change has now been implemented.

2.6 Chief Finance Officer Conclusion

2.6.1 It is very pleasing to obtain an unqualified value for money conclusion given the recent (and continuing) period of austerity in which the Council is operating.

2.6.2 I would look to express my appreciation to the finance team who have worked hard and diligently both to produce the draft statement on time and to work with the external auditor to enable them to issue an unqualified audit opinion on the financial statements with relatively few adjustments to the draft statements.

2.6.3 The internal control issue relating to contracts of employment has previously been raised with the Audit and Scrutiny Committee and work is expected to be completed on this issue by November. Although I am satisfied that the existing internal controls environment for journals is robust, the additional confirmation of a review being carried out by the deputy s.151 Officer (as recommended by Grant Thornton) has now been implemented.

3. Annual Governance Statement

3.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The Code has been updated to reflect the governance arrangements in place during 2013/14 and forms part of the Annual Governance Statement.

3.3 The Annual Governance Statement (AGS) details how the Council has complied with the Code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011, in relation to the publication of an Annual Governance Statement to accompany the accounting statements.

3.4 The AGS is a corporate issue, has been developed by the Corporate Governance Group and is subject to further review by Corporate Team.

3.5 The AGS details the Governance Framework and the Review of Effectiveness that has been used to measure the Council's existing governance arrangements. This included a direct reference to the Code of Corporate Governance that demonstrates the Council is committed to the principles of good corporate governance. The Annual Governance Statement for 2013/14 is included within the Council's Statement of Accounts at pages 92 to 107 of **Appendix 'B'**.

4. The Draft Statement of Accounts

The draft Statement of Accounts was presented to the Audit and Scrutiny Committee on 15th July 2014. The statement represented the 'pre-audit' figures. The Council's External Auditors have now completed their review of the accounts and the audited statements are being presented for consideration.

4.1 Changes from the Draft Statement of Accounts

During the period of the audit, the Auditors reviewed the Council's draft Statement of Accounts and associated working papers. The following paragraphs aim to highlight the changes resulting from their work:

Adjusted Misstatements:

4.1.1 Note 18 - Debtors. The Council included a Debtor at the year end, which was based upon the best estimate [budget] at that time. In the early part of 2014/15, after an invoice had been raised for £50,000, the figure was revised as actual data was available and the invoice was cancelled. The debtor in the accounts was therefore overstated by £50,000. The correction resulted in adjustments to all-four of the Council's primary statements, and ultimately decreased the 'net-worth' of the Council by £50,000.

4.1.2 Note 18 - Debtors. The Council accrued for a VAT repayment of £16,115 from HMRC within the accounts. The payment was actually received into the Council's bank account on the 31st March (although not posted to the ledger until 1st April). The error has been amended by reducing the debtor balance and increasing the 'cash' balance within the accounts. The net effect upon the 'net worth' of the Council is zero.

4.1.3 The Cash Flow statement overstated the value of investment purchases and investment disposals made by the Council. The original statement included transactions in bank call accounts and money-market funds. These transactions, although part of the Council's treasury dealings, are classified as 'cash and cash equivalents' within the accounts and not investments, and should therefore have been omitted from the note. The change had no impact upon the *Comprehensive Income and Expenditure Statement* or 'net worth' of the Council.

4.1.4 The figure presented in the Cash Flow statement for proceeds from assets disposals quoted the disposal proceeds 'due' rather than the disposal proceeds received. The figure originally quoted of £779,000 was amended to read £338,000. The correction had no effect upon the *Comprehensive Income and Expenditure Statement* or 'net worth' of the Council.

4.1.5 The introduction of a revised IAS19 - *Employee Benefits* required a restatement of the *Comprehensive Income & Expenditure Statement* and *Movement in Reserves Statements* for 2012/13 to show figures comparable to 2013/14. While the notes to the accounts had been restated, the Core Statements had not. The change led to movements within the *Comprehensive Income and Expenditure Statement*, increasing the Financing and Investment Income and Expenditure line by £277,000 and decreasing the *Remeasurement of the net defined benefit liability* line by the same

amount. The overall impact upon the 'net worth' of the Council was zero.

Unadjusted Misstatements:

4.1.6 The Auditors have identified a provision that the Council set aside to off-set any fluctuations in exchange rates and potential losses in respect of its funds held in Icelandic Krona. The Council still holds the balance of the "Glitnir investment" in Icelandic Krona, pending a decision by the Central Bank of Iceland to enable the currency to be converted to sterling. The correct accounting treatment would be to establish an earmarked reserve rather than a provision. Although not strictly in compliance with accounting standards, the Chief Finance Officer has decided not to adjust the statements, as the establishment of the provision provides greater transparency in relation to this transaction. The accounting treatment will be reviewed during the preparation of the 2014/15 financial statements.

Other Changes to the Accounts:

4.1.7 A small number of other misclassifications and disclosure changes have been made to the accounts. Notes have been re-worded or expanded, where recommended by the Auditor. None of the 'misclassifications & disclosure changes' resulting from the Audit affect the 'net worth' of the Council.

In Summary:

4.1.8 On 3rd July 2014, Cabinet was presented with the revenue outturn report (agenda item 10) which declared a surplus for 2013/14 of £1,076,616. Cabinet made the decision that the budget underspend for the year would be consolidated within the General Fund balance.

4.1.9 The Audit findings and Cabinet's recommendation has resulted in the following changes from the Draft Statement of Accounts:

	£
<u>As reported to Cabinet 3rd July:</u>	
Revenue underspend for the year: [and increase in General Fund balance]	(1,076,616)
<u>Audit adjustments and changes:</u>	
Adjustment re. Recycling Credits Debtor	50,000.
Revised revenue underspend for the year and contribution (to)/from the General Fund balance:	<u>(1,026,616)</u>

4.1.10 Following the adjustments through the accounts, the 'net worth' of the Council, which is shown on the Balance Sheet, has decreased by £50,000 from £21,449,039 to £21,399,039.

4.2 Approval and Publication of the Statement of Accounts

4.2.1 The Council is required to formally approve its audited Statement of Accounts by 30th September.

4.2.2 The Audit and Scrutiny Committee is to consider the documents on 16th September. Comments from the Audit and Scrutiny Committee will be reported to the Council to assist with the decision to approve the financial statements.

4.2.3 **A copy of the Audited Statement of Accounts is circulated as a separate document with the agenda papers (Appendix 'B' refers).** Once approved by the Council, the audited statements will be published on the Council's Web Site.

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