

PLYMOUTH CITY COUNCIL

Subject: Statement of Accounts 2013/14
Committee: Audit Committee
Date: 26 June 2014
Cabinet Member: Councillor Lowry
CMT Member: Malcolm Coe (Assistant Director for Finance)
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Ref: FIN/CF
Key Decision: No
Part: I

Purpose of the report:

A report on the Council's revenue and capital outturn for the financial year was reported to Cabinet on 17 June 2014. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication, and reports on progress towards the requirement to prepare the pre-audited accounts by the 30 June 2014.

The Accounts and Audit Regulations require that the accounts are available for public inspection for four weeks and this year the period of inspection commences on the 21 July 2014. The audit is due to commence on 16 June 2014.

The report also details progress towards completion of the action plan agreed to implement the recommendations made by the auditor following the audit of the 2012/13 Statement of Accounts.

Corporate Plan 2012-2015:

The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

The 2013/14 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

N/A

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

1. Audit Committee note the report and the proposed 'authorised for issue' date (21 June 2014) for the draft Statement of Accounts.

Alternative options considered and rejected:

None – It is a statutory requirement to produce and approve the Statement of Accounts.

Published work / information:

Outturn Report to Cabinet 17 June 2014

<http://www.plymouth.gov.uk/mgInternet/documents/s55493/Financial%20Outturn%20201314%20including%20capital%20programme%20update.pdf>

Background papers: None

Sign off:

Fin	djn141 5.15	Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member – Malcolm Coe													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Statement of Accounts 2013/14

1. Introduction

- 1.1 The financial outturn for both the Council's revenue and capital activities for 2013/14 was reported to Cabinet on the 17 June 2014. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication.
- 1.2 The Accounts have to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute. Details of the changes in relation to the 2013/14 Codes and relevant legislation which need to be considered for the accounts are outlined in section 3.
- 1.3 The Accounts and Audit Regulations require that the draft Statement of Accounts is signed by the Council's Section 151 Officer, by 30 June each year. Progress towards the production of the pre-audit accounts is outlined in section 2 of this report. The pre-audited accounts will be published on the Council's website by the end of June.
- 1.4 Formal audit of the accounts for 2013/14 commences on 16 June and this date also marks the start of the four week period in which the Council has to make the accounts available for public inspection. The audited Accounts will be presented to the next committee alongside the auditor's report. An analysis of the financial position and key messages within the accounts will be reported to committee in the accompanying report as it is not possible to do so at this stage whilst the draft accounts are still being finalised.
- 1.5 The Code requires that the Council sets and discloses an 'authorised for issue' date, which reflects a cut-off date in terms of the post balance sheet period within which events have to be considered in relation to their impact on the 2013/14 accounts. It is proposed that the relevant date for the draft Statement of Accounts be set as 1 June 2014.
- 1.6 Each year the Audit Committee receives the auditor's (ISA260) report on the accounts audit, which, where appropriate, will include an action plan containing issues for the Council to address for the following year's accounts. Progress against auditor recommendations resulting from the 2012/13 Statement of Accounts audit is detailed in Section 6.
- 1.7 The Annual Governance Statement (AGS) is being presented separately to this Audit Committee for approval. The AGS no longer forms part of the published Statement of Accounts document but would stand-alone to reflect that its scope is wider than just the financial transactions of the authority. However, it will be published alongside the Statement of Accounts on the Council's website as is required by the Code.

2. Key Dates for 2013/14 and progress to date

- 2.1 Although there has been no change to the statutory timetable relating to the production and publication of the final accounts, internal deadlines and targets have been set which reflect earlier timescales for both the reporting of departmental financial results against budgets and the production of the draft Statement of Accounts. For example, the provisional outturn figures reported to CMT on the 14 April 2014 represented a three week improvement against the previous year.
- 2.2 The financial challenges that the authority is facing make it imperative that both Officers and Members are provided with accurate and up-to-date financial information in a timely manner

in order to facilitate informed decision-making. The timetable for monthly budget monitoring reporting has been shortened over the past year in order to allow finances to be controlled and achievement of budget delivery plans to be closely monitored. This will continue to be an issue moving forward and plans are in hand to further develop financial monitoring and reporting processes via the 2014/15 Finance Business Plan.

- 2.3 Similarly, as well as the issues outlined above, there are other drivers which give rise to the decision to reduce the overall timetable for the production of the draft Statement of Accounts document. Firstly, there is a need to continuously review and improve financial management processes; a shorter timescale will both challenge current working practices and promote efficiencies. In addition, timelier completion of year-end activities will free up resources for other work at an earlier stage of the year. Other advantages which arise include cost effectiveness, staff benefits (such as improved morale via a sense of achievement and opportunities to develop the technical expertise within the service) and an enhanced profile for the Finance Service.
- 2.4 However, there is a risk that a faster timescale will compromise the quality of the draft statements. The Finance team are working to minimise the likelihood of this having a detrimental impact on the accounts by ensuring that progress is closely managed, staff involved are appropriately trained and there is close liaison with the external auditor throughout the year.
- 2.5 The year-end timetable for both internal and external reporting (via the Statement of Accounts) of the 2013/14 financial results has been set as follows:-

Milestone	Key Date
Directorate Outturn position for Capital and Revenue Accounts finalised	13 April
Provisional Outturn report to CMT	14 April
Outturn Report to Cabinet Members	21 May
Draft Statement of Accounts prepared	16 June
Statutory deadline for Section 151 Officer to 'sign off' of draft Statement of Accounts	30 June
Final Accounts Audit Commences	01 July
Period of Public Inspection	01 July - 26 July
Auditor's ISA260 report received and audited Statement of Accounts approved by Audit Committee	25 September

- 2.6 As the agenda for this committee was published, the Finance team were finalising the draft Statement of Accounts for review by Senior Management. It is anticipated that the majority of the work on the accounts will be completed by the 16 June deadline, but Officers will provide a verbal update on progress at the meeting. The achievement of this deadline is always partly be reliant on receiving finalised accounts in relation to the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) from Cornwall Council. Cornwall Council has also brought forward the preparation of their accounts and has provided the Council with the (TBTFJC) accounts in time to include them in the draft accounts.

2.7 The Finance team will continue to strive to further improve the above timescales, with the ultimate aim of delivering the draft Statement of Accounts by the end of May. This is reflected by a project within the Finance Business Plan which will involve further work on challenging current working practices and timelines, refining quality assurance techniques and widening both project management and technical expertise throughout the service.

2.8 Authorised for Issue date

The Code requires that events occurring after the balance sheet date, i.e. 31 March 2014, are considered in terms of their relevance to the Council's financial position for 2013/14. There is an obligation to ensure that any such events are properly reflected in the Statement of Accounts up to the date that the statement is 'authorised for issue'. The authorised for issue date marks the point beyond which there can be no reasonable expectation that events could have been taken into consideration in the preparation of the Statement of Accounts. The Council has to disclose this date within the accounts and it is proposed that post balance sheet events up to and including the 1 June 2014 be considered for the draft accounts submitted for audit.

3. The 2013/14 Codes of Practice and relevant legislation

3.1 There are two main Codes of Practice relevant to the production of the Statement of Accounts which CIPFA publish on an annual basis:-

- The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code)
- The Service Reporting Code of Practice for Local Authorities (SeRCOP)

3.2 There were no significant changes to the Codes for 2013/14, which is a departure from the previous four years where significant changes such as the introduction of IFRS were implemented. Further details on the minor changes to the Codes will be included in the report to committee in September, when the accounts are formally presented for approval, where their impact will be more easily demonstrated.

5. Post Balance Sheet Events (PBSE)

5.1 Although the Statement of Accounts shows the financial outturn position for 2013/14 and Balance Sheet position as at 31 March 2014, the Council is required to take into account items occurring after 31 March 2014 if they would have a material impact on the accounts.

5.2 There are no PBSEs identified to date and so there have been no PBSE's included in the draft Statement of Accounts.

5.3 As the draft accounts were still being finalised at the time of publishing this report, the above list may not reflect the final PBSE position when the accounts are published towards the end of June.

6. Progress against the 2012/13 ISA260 Report Action Plan

6.1 The External Auditor's annual Governance Report (ISA260 Report), includes the findings on the annual accounts audit and an action plan to address key audit issues. Appendix A sets out the auditor's recommendations following the 2012/13 accounts audit and reports on the progress made to date regarding the related action plan.

6.2 Two issues were reported in the action plan:-

6.2.1 Energy from Waste Partnership

This relates to the legal status of the waste partnership arrangements (i.e. whether it is a Joint Committee or other arrangement); the governance arrangements for the entity; and the accounting treatment of the asset that is currently being constructed.

6.2.2 Financial Systems

This relates to the administrator access to its financial systems and the improvements that should be made to the way in which users are added to and removed from the Council's financial systems.

7. **Conclusions**

7.1 The 2013/14 financial results for the authority have been established and reported significantly earlier than when compared to previous years.

7.2 Work is in-hand to produce the draft Statement of Account well in advance of the statutory deadline and this also represents a year on year reduction in timescales taken to undertake this year-end work. The Finance team has committed to making further improvements going forward by including a project to review working practices and expertise in this area within the 2013/14 Finance Business Plan.

7.3 2013/14 represents a 'light' year in relation to changes in the accounting codes of practice and legislation relevant to account production. Further details on this and the relevant changes requiring consideration for 2013/14 will be included in the September Statement of Accounts report to committee.

7.4 The annual audit commences on 16 June 2014 and period of public inspection of the accounts commences on 21 July 2014. The audited Statement of Accounts will be submitted to Audit Committee for approval in September.

7.5 Officers are working to ensure that the auditor action plan resulting from the 2012/13 final accounts audit is addressed where applicable.

Progress against the 2012/13 ISA260 Auditor's Report Action Plan

APPENDIX A

Rec No	Recommendation	Priority	Management Comments	Implementation date and responsibility	Progress to date
1	<p>Energy from Waste Partnership</p> <p>The Council and its partners need to establish:</p> <ul style="list-style-type: none"> the legal status of the waste partnership arrangements (i.e. whether it is a Joint Committee or other arrangement); the governance arrangements for the entity; and <p>the accounting treatment of the asset that is currently being constructed.</p>	High	<p>The governance of the partnership is through the South West Devon Waste Partnership Committee and Plymouth's Finance staff are currently assessing the appropriate financial reporting arrangements of the partnership contract costs within each authority and the committee. This assessment will be complete by April 2014.</p>	<p>Implementation date: April 2014</p> <p>Responsible Officer: Head of Operational Finance</p>	<p>This issue has been progressing during the year and the Joint Committee has agreed that the group operates as a separate body and therefore will produce accounts for the Energy from Waste Joint Committee.</p> <p>The Council has decided that the assets under construction are the responsibility of the contractor and therefore it has not recognised the assets on its balance sheet.</p>
2	<p>Financial Systems</p> <p>The Council should review which staff have administrator access to its financial systems.</p> <p>Improvements should be made to the way in which users are added to and removed from the Council's financial systems Reviews of user accounts should be undertaken Audit logs should be populated.</p>	High		<p>Implementation date: October 2014</p> <p>Responsible Officer: Head of Transformation Finance</p>	<p>The transformation team are working on a project to upgrade Civica Financials to improve the financial reporting.</p> <p>The Council is also reviewing the way that access to the financial systems is managed and administered.</p>