

PLYMOUTH CITY COUNCIL

Subject: Statement of Accounts 2013/14
Committee: Audit Committee
Date: 25 September 2014
Cabinet Member: Councillor Mark Lowry
CMT Member: Malcolm Coe (Assistant Director for Finance)
Author: Chris Flower (Lead Accountant, Finance Department – Technical)
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Ref: FIN/CF
Key Decision: No
Part: I

Purpose of the report:

The Council's draft Statutory Statement of Accounts was prepared and approved ready for audit by the Assistant Director for Finance on 26 June 2014.

The Accounts have now been audited and are being presented to Audit Committee for approval. The Accounts and Audit Regulations require the accounts to be formally approved and published by 30 September 2014.

Issues raised by the auditor are outlined in the report, including a summary of the changes made since the draft accounts were produced. The revised Statement of Accounts for 2013/14 is attached at Appendix A.

The Brilliant Co-operative Council Corporate Plan 2013/14 - 2016/17:

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

I Recommendations and Reasons for recommended action:

1. Audit Committee note the amendments made to the Statement of Accounts for 2013/14 as agreed with the Auditor, and outlined in this report.
2. The Statement of Accounts for 2013/14 attached at Appendix A be approved.
3. The letter of representation attached at Appendix B is authorised and submitted to the Auditor.

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 June 2014](#)
[Statement of Accounts 2013/14 Report to June 2014 Audit Committee](#)
[Draft \(Pre Audit\) Statement of Accounts 2013/14](#)
[Annual Governance Statement 2013/14](#)

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Not applicable									

Sign off:

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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 draft Statement of Accounts 2013/14 was approved by the Assistant Director for Finance on 26 June 2014. The formal audit commenced on 1 June 2014. The External Auditor's Audit Findings Report (ISA 260 Report), including the outcome on the annual accounts audit and an action plan addressing key audit issues, is being presented to this meeting. The Accounts and Audit Regulations require the Statement of Accounts to be approved by the Council by 30 September 2014. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The Council has followed the guidelines given by CIPFA to de-clutter the accounts. The Council has worked with the Auditors to try and make the accounts more readable for the user and has taken out as much jargon and non-relevant wording as possible. The aim has been to reduce the size of the document and to make the accounts clear and concise while still keeping within the Code of Practice.
- 1.3 The above changes made to the Statement of Accounts has reduced the size of the final document and following discussions with the auditor a number of disclosure notes have been being added back in to keep within the Code as outlined in this report. The revised Statement of Accounts for 2013/14 is attached at Appendix A.
- 1.4 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2014. The Statement of Accounts should therefore include all relevant post balance sheet events up to and including the 25 September 2014.
- 1.5 As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. This letter may be signed by the Assistant Director for Finance and the Chair of Audit Committee and is attached at Appendix B.
- 1.6 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2013/14. The auditor has outlined in the ISA 260 report being presented to this Committee that he is satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2013/14 (The Code).
- 1.7 Council Officers would like to express their thanks to the Audit staff for their help and assistance in finalising the Council's Statement of Accounts.

2. The 2013/14 Codes of Practice

- 2.1 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)
- 2.2 The Code of Practice on Local Authority Accounting (the Code) is based on approved standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Committee (IFRIC) except where these are inconsistent with specific statutory requirements.

2.3 The 2013/14 Codes did not introduce any significant new obligations in terms of producing Plymouth's accounts for 2013/14, however, the following new requirements have been incorporated into this year's statements:-

- The Code now encourages local authorities to prepare the Explanatory Foreword in line with Government guidance followed by other areas of the Public Sector. Although this is not yet a mandatory requirement for Local Government, this year's Foreword is presented in line with the guidelines.

3. Issues arising since publication of the 2013/14 draft Accounts

3.1 The following paragraphs outline the relevant issues that have arisen since the publication of the draft Accounts in June.

3.2 Post Balance Sheet Events (PBSE)

3.2.1 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 report material events occurring after 31 March 2014.

3.2.2 There is one additional significant event which has occurred since the draft Accounts were published in June which is required reporting within PBSE Note 4 (page 32).

This relates to the Council agreeing to transfer its ICT services to Delt Shared Services Limited at a cost of circa £5.5m per year. Delt Shared Services Limited is a company jointly owned by Plymouth City Council and the Clinical Commissioning Group (CCG) and has been set up to provide the ICT requirements for both organisations. This arrangement will drive out both operational and financial benefits for both organisations.

3.3 Agreed Audit Amendments

3.3.1 The auditor's report outlines a number of changes that they are recommending be made to the draft 2013/14 Statement of Accounts published in June. These have been discussed and agreed with Officers, and are reflected in the final statements being presented for approval.

3.3.2 There were no misstatements identified during the audit of the draft financial statements.

3.3.3 In terms of amendments to Disclosure Notes, there were a few issues which came to light during the audit which have now been added to the statement of accounts, the main ones being as follows:-

- Note 8 – The PFI disclosure note was changed to remove the PFI additions. This did not affect the property, plant and equipment values on the balance sheet as this is an addendum to the main note.
- Note 8.5 – Revaluations/Impairments. Additional information was added relating to the Valuer, method of valuation, assumptions the made or date of valuation.
- Note 9 – Heritage Assets - Table added to show the Heritage Assets movement in the year.
- Note 12.4 Nature and Extent of Risks Arising from Financial Instruments - Additional wording has been added to explain the credit risk, liquidity risk and market risk.
- Note 17.4 Cash and cash equivalent - Table added to show breakdown between cash and cash in short term investments.
- Note 27 – Defined Benefits Pensions Scheme - Change to the table to provide the full disclosure requirements relating to the Local Government Pension Scheme.

- Movement In Reserves Statement (MIRS) Differences were identified between the MIRS working papers and the draft financial statements, due to the late changes made after the publication of the draft accounts.
- Non Compliance with Code of Practice 2013-14. An additional note was added to disclose that the Council has departed from the Code of Practice in respect of the depreciation method of an infrastructure and we have identified the Tamar Bridge separately as a Toll Bridge. This approach has also been followed by Cornwall Council.

3.3.4 Further details on the above amendments are reported in the External Auditor's report also on this agenda.

- In addition, there have been a small number of grammatical and punctuation corrections to the document identified by both Officers and the Auditor, including the insertion of additional wording to provide clearer explanation of the accounts.

4. Looking to the year ahead - Issues for the 2014/15 Statement of Accounts

4.1 There were some challenging changes to the Code of Practice in 2013/14 and the Council spent time researching the requirements and working with the auditors to incorporate these changes into these accounts.

4.2 As well as changes to the Codes of Practice, Officers will also be considering other documentation published by CIPFA which will have an impact on either 2014/15 or future years' accounts. Current developments include consultation documents and / or new publications on the following topics:-

- Transport Infrastructure Assets
- IFRS 13 Fair Value Measurement
- The Group Accounts Standards
- Code of Practice on Local Authority Accounting in the United Kingdom 2014/15
- Financial Statements: A Good Practice Guide for Local Authorities

4.3 Officers will continue to keep abreast of both internal and external developments relevant to the statutory accounts to ensure any new or amended requirements are successfully brought into the 2014/15 Accounts.

4.4 Officers will ensure that engagement with the external auditor is undertaken at an early stage, in order that any changes required can be reviewed ahead of the preparation of next year's accounts.

4.5 We are going to be working closely with the external auditor to plan the 2014/15 audit and we would like to undertake the interim audit as early as possible in January 2015. This will enable much of the audit testing work to be completed prior to the main year-end audit.