

## PLYMOUTH CITY COUNCIL

<b>Subject:</b>	Statement of Accounts 2014/15
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 June 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Andrew Hardingham (Assistant Director for Finance)
<b>Author:</b>	Chris Flower (Lead Accountant, Finance – Technical)
<b>Contact details</b>	Tel: 01752 304212 Email: <a href="mailto:chris.flower@plymouth.gov.uk">chris.flower@plymouth.gov.uk</a>
<b>Ref:</b>	FIN/CF
<b>Key Decision:</b>	No
<b>Part:</b>	I

---

### **Purpose of the report:**

A report on the Council's revenue and capital outturn for the financial year was reported to Cabinet on 9 June 2015. 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 2015.

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 22 June 2015. The external audit commenced on 15 June 2015.

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 2013/14 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 2014/15 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 'authorised for issue' date (1 June 2015) 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 23 June 2015

---

### Background papers: None

None

---

### Sign off:

Fin	CDR 1516.16	Leg	23222 DVS	Mon Off	2322 2DV S	HR		Assets		IT		Strat Proc	
Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## Statement of Accounts 2014/15

### 1. Introduction

- 1.1 The financial outturn for both the Council's revenue and capital activities for 2014/15 was reported to Cabinet on the 9 June 2015. 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 2014/15 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 2014/15 commenced on 15 June. The four week period in which the Council has to make the accounts available for public inspection starts on 22 June. 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 2014/15 accounts. The relevant date for the draft Statement of Accounts has been set as 1 June 2015.
- 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 2013/14 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 2014/15 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.
- 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.

- 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 2014/15 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
Draft Outturn Report to Cabinet Members	12 May
Draft Statement of Accounts prepared	15 June
Statutory deadline for Section 151 Officer to 'sign off' of draft Statement of Accounts	30 June
Final Accounts Audit Commences	15 June
Period of Public Inspection	22 June - 20 July
Auditor's ISA260 report received and audited Statement of Accounts approved by Audit Committee	17 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 15 June deadline, but Officers will provide a verbal update on progress at the meeting. The achievement of this deadline has always partly been 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 2015, are considered in terms of their relevance to the Council's financial position for 2014/15. 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 has been decided that post balance sheet events up to and including the 1 June 2015 be considered for the draft accounts submitted for audit.

## 3. **The 2014/15 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 2014/15 (the Code)
- The Service Reporting Code of Practice for Local Authorities (SeRCOP)

3.2 There were no significant changes to the Codes for 2014/15. 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 2014/15 and Balance Sheet position as at 31 March 2015, the Council is required to take into account items occurring after 31 March 2015 if they would have a material impact on the accounts.

5.2 The PBSEs identified to date and included in the draft Statement of Accounts are:

5.3 Adult Social Care and Clinical Commissioning Group

On the 1 April 2015 the Authority entered into an agreement with the North East & West Devon Clinical Commissioning Group under Section 75 of the National Health Services Act 2006.

On 1 April 2015 Plymouth City Council adult social care delivery staff transferred to Plymouth Community Healthcare (PCH), a community interest company (CIC), to transform the way these services are delivered.

5.4 School's Catering

On 1 April 2015 the school meals service transferred to CATERed Limited which is a company jointly owned by Plymouth City Council and PSSC Plymouth Schools Shareholding Company Limited (representing the Plymouth Schools).

5.5 Energy from Waste Plant

Commissioning of the plant commenced in April 2015 when the plant received waste from Plymouth City Council. In order to complete a commissioning period the plant now receives waste from all the three authorities and this is expected to be completed in 2015/16. Payments to the German company MVV are made in accordance with the contract and are set at a reduced rate until the commissioning period is completed when the full gate fees will be chargeable for tonnages delivered.

- 5.6 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 2013/14 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 2013/14 accounts audit and reports on the progress made to date regarding the related action plan.

- 6.2 Three issues were reported in the action plan:-

6.2.1 Once the draft financial statements have been prepared, no amendments should be made until the audit has been completed

6.2.2 The Council should introduce a sample-based approach to journal review and authorisation, covering all journals.

6.2.3 Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.

## **7. Conclusions**

- 7.1 The 2014/15 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 2014/15 Finance Business Plan.

7.3 2014/15 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 2014/15 will be included in the September Statement of Accounts report to committee.

7.4 The annual external audit commences on 15 June 2015 and period of public inspection of the accounts commences on 29 June 2015. 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 2013/14 final accounts audit is addressed where applicable.

## Progress against the 2014/15 ISA260 Auditor's Report Action Plan

## APPENDIX A

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Once the draft financial statements have been prepared, no amendments should be made until the audit has been completed.	Deficiency	Agreed	April 2015 Lead Accountant – Technical Finance
2.	The Council should introduce a sample-based approach to journal review and authorisation, covering all journals.	Deficiency	Internal Audit carry out an annual testing of a sample of journals as part of their internal audit. Finance will introduce its own random sample of journals to test accuracy, plus any individual journal entry >£500k will be authorised by Head of Corporate Strategy or Head of Finance Operations The Council are upgrading Civica Financials programme which should incorporate an alert system that automatically identifies unusual journals that fall outside prescribed parameters. These alerts will then be reviewed by finance management.	Agreed April 2015 Head of Corporate Strategy / Lead Accountant – Technical Finance
3.	Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.	Deficiency	The new IT support team are undertaking a review as part of their new remit of all systems. There is planned to be an annual review of these policies.	January 2015 Head of Corporate Strategy / ICT System Support Team Manager