

To: Audit and Governance Committee

Date: 22 September 2014

Report of: Head of Finance

Title of Report: Statement of Accounts for the Year Ending 31st March 2014

Summary and Recommendations

Purpose of report: To submit the Council's Statement of Accounts for approval and authorisation.

Key decision? No

Executive lead member: Councillor Ed Turner

Policy Framework: **Budget**

Recommendations: That the Committee:

1 approve the audited 2013/14 Statement of Accounts and authorise the Head of Finance and Chair of the Committee to sign the Statement of Accounts

2 approve the Letter of Representation to enable the opinion to be issued

Appendix 1 - Statement of Accounts 2013/14

1. On the 26th June 2014 the draft 2013/14 Statement of Accounts, (the Statements) were certified by the 'Responsible Officer', the Head of Finance as a true and fair view of the financial position of the authority at the 31st March 2014. The accounts were duly authorised to be released for audit.
2. Following audit by Ernst and Young the Statements are re-certified by the Head of Finance and re-presented to this Audit and Governance Committee for final approval, prior to 30th September.
3. The Audit of the Statement of Accounts is now complete and the auditor has, in line with the Code of Practice, issued a draft report on the outcome of the audit. This report appears elsewhere on the agenda of the meeting.
4. The auditor is expected to issue an **unqualified opinion** on the financial statements.

Uncorrected Misstatements

5. The Auditors identified two misstatements within the draft financial statements, which officers have not amended in the final version of the Statements. These relate to :
 - a. A restatement of the Comprehensive Income & Expenditure Statement (CIES) to reflect the changes to International Accounting Standards IAS19 – pension disclosure.

The change suggested is a technical accounting issue arising from a revision to an accounting standard. The change has no impact on the overall financial position of the Council as the entries are reversed out through accounting adjustments. In officers opinion the change would have added additional complexity to what is already a complicated statement and would have provided no additional benefit to the reader of the accounts. Therefore, it was decided not to adjust.

- b. In 2013/14 the accounts were required to be adjusted to reflect the level of appeals in respect of Business Rates. The level of appeals at year end totalled £5.4 million and the accounts were duly adjusted following external advice to provide a provision of £1.7 million charged to the Council's Collection Fund. However, the auditors believe that the provision should be further amended to account for 'appeals not yet made but likely to be made based on past experience'

Officers believe that the existing provision is sufficient, especially since the incidence of successful appeals will be offset to some extent by unsuccessful appeals. However, the position will be monitored going forward.

Other Significant Changes to the Statements of Accounts

6. The external auditor has identified a number of changes to the accounts which they are required to bring to the attention of the Committee. These changes do not have any impact on the Council's overall financial position as they relate to notes, Balance Sheet items or items which are reversed out of the Comprehensive Income and Expenditure Statement (CIES) under accounting practices. Nonetheless the changes are required to comply with the Accounting Code.
7. Appendix A, attached, shows a revised set of accounts to those presented to the Committee in June, which incorporates the adjustments that have been made as a consequence of the audit. The changes included in the auditor's report are:
 - Changes to Debtors and Creditors to reflect the netting off of Government and preceptor balances for Council Tax and Business Rates as required by the Accounting Code. This has the effect of reducing debtors by £6.8 million and creditors by a similar figure;
 - Correction to the value shown in note 33 for Housing Benefit Grant received from £60.6m to £66.2m
 - Adjustments to the Financial Instruments Note 42 to reflect the changes to debtors and creditors referred to above.
8. At the time of writing this report there are a number of issues still subject to audit review although these changes have been reflected in the revised set of Accounts attached at Appendix A. These issues relate to :
 - **Internal recharges** -Income and expenditure under the Accounting Code is required to be netted off. The cost of works and associated income received by Direct Services from internal service users such as Highways and Housing for works undertaken had been shown gross.. This has resulted in changing both the gross income and expenditure by an amount of £26 million. There is no net overall change to the bottom line.
 - **HRA Dwelling Impairments and Revaluations** –The council have been incorrectly accounting for impairments and revaluations. Where previous impairments have been charged to the HRA, subsequent upwards valuations should be credited to the HRA (until the previous impairments are cleared) but have been credited to the revaluation reserve in error. This understates the impairments in the HRA and overstates the revaluation reserve. A prior year adjustment was subsequently made in 2012/13 of £7 million together with an in-year adjustment of £43 million. There is no net overall change to the accounts.

9. Also on the agenda is a draft Letter of Representation which the Committee is asked to approve. This is a letter from the Council's Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion.

Financial Implications

10. These are covered within the main body of the report.

Legal Implications

11. These are covered within the main body of the report.

Risk Implications

12. There are no risk implications arising from the recommendations shown in this report.

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