BODY:	**AUDIT AND GOVERANCE COMMITTEE**
DATE:	**24 September 2014**
SUBJECT:	**Statement of Accounts 13/14**
REPORT OF:	**Financial Services Manager**

Ward(s):	All
Purpose:	To agree the audited accounts for 2013/14 under powers delegated by the Council.
Decision Type	Key decision
Contact:	Pauline Adams, Financial Services Manager. Telephone Number 01323 415183
Recommendations:	Members are asked to -

i) Agree the action taken in respect of the non-trivial but not material errors identified by External Audit.

ii) Approve the final audited accounts for 2013/14.

iii) Agree delegated authority to the Chief Finance Officer to make minor amendments to the Statement of Accounts.

1.0 Introduction

1.1 The Accounts and Audit Regulations 2011, the Audit Commission Act 1998, the Code of Audit Practice (issued by the Audit Commission) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code) set out the requirements for the production and publication of the annual Statement of Accounts.

1.2 The regulations require that an appropriate body should approve the audited Statement of Accounts after they have been certified by the Chief Financial Officer within six months of the financial year end i.e. by 30 September.

1.3 The Committee noted the draft accounts for 2013/14 at its meeting on 25 June 2014.

Audit of Accounts

2.1 BDO has now issued the draft ISA260 Annual Governance Report which is included as a separate report to this committee.

2.2 BDO has indicated that subject to satisfactory completion of the outstanding work it is anticipated that an unqualified audit opinion on both this Council's accounting statements and the group accounting statements will be issued. The opinion is expected to be given before the statutory deadline of 30 September.

3.0 <u>Key issues arising from the audit.</u>

3.1 A number of changes have been made to the accounts since the previous report in June, these are all of an accounting technical nature and do not affect the overall balances on the General Fund, HRA, Collection Fund or Reserves.

3.2 A full list of all the corrected and uncorrected audit differences is given in the body and at appendix ii of BDO's Report.

3.3 The majority of the corrections to the statements relate to accounting for capital which for local authorities can be quite complex due to having to present the Comprehensive Income and Expenditure Statement (CIES) in a format that equates to private sector profit and loss accounts. In order for these entries not to have an impact on the council taxpayer they are reversed out via the Movement in Reserves Statement (MIRS) to give the true figure for the net expenditure of the Council.

The changes, as detailed below, have involved updating the CIES, MIRS, Housing Revenue Account (HRA) and the Balance Sheet plus updating numerous disclosure notes.

Summary of capital changes made:

1. Reclassification of revaluation increases on council dwellings (£7.065m) and other land and buildings (£5.030m), from revaluation reserve to reversals of impairments in the CIES. This is as a result of impairments in prior years that created a balance on the Capital Adjustment Account which needed to be used before charging the increase to the Revaluation Reserve.
2. Reclassification of write off of replaced council dwellings components (£25.248m), from an impairment charge included in the cost of services on the CIES to loss on de-recognition of non-current assets, both for this and prior years. Impairment is usually where the value of an asset has decreased due to a deterioration or event. As this was not the case for council dwellings, in technical terms it is not an impairment but a de-recognition.
3. Write off of overstated investment property (£4.936m) which had been incorrectly valued to include a building on

the site which is not in the ownership of the Council.

4. Correction to depreciated replacement cost valuations in prior years and recognition of a prior period adjustment (£1.037m). The valuation carried out in 2011 by the external valuer used the 'Red Book' DRC methodology as outlined in RICS guidance which allows for construction periods and finance charges, whereas CIPFA guidance requires this to be done using the 'instant build' DRC methodology.

5. Reclassification of the write off of the balance sheet value on sea defences, which are no longer considered to have any value (£4.648m), from an impairment charge included in the cost of services on the CIES to a loss on de-recognition of non-current assets.

3.4 The following other changes have been made to the balance sheet, again leaving the bottom line in a neutral position:

1. Reclassification of the accumulated absences liability, from provisions to creditors £64,000. This was an unadjusted error in the 2012/13 accounts.

2. Reclassification of the Rent Control account from Creditors to Debtors £195,000.

3.5 Several disclosure notes were amended to improve the clarity of the accounts; these had been prepared on the same basis as the 2012/13 statement and previously accepted by audit. None of the changes are of a material nature.

3.6 Members are asked to confirm the following action on the following unadjusted misstatements:

1. Rounding difference when accumulating inflation increases used to calculate increases in the cost of non current assets since April 2011 - £61,000

   Reasons for non-adjustment – Immaterial

2. Accrual for £750,000 capital receipt due in respect of legal claim for the Towner building works.

   Reason for non-adjustment – Timing, information was not available until mid-June 2014 when accounts had been closed and statement prepared. Sum received on 13 June 2014 and will be included in 2014/15 accounts.

3. Extrapolation of £7,000 omitted from year end accruals - £63,000.

   Reason for non-adjustment – No real basis for calculation.

4. Payments received in the bank at 31 March but not posted by the system into the ledger until 1 April - £138,000.

Reason for non-adjustment – Treatment consistent with previous years and not material.

Unadjusted misstatement on group accounts:

5. Accounting for the provision for dilapidations on Ivy House not compliant with Accounting Standards - £42,000.

   Reason for non-adjustment – The consolidation of Eastbourne Homes Accounts has been carried out using EHL's unqualified audited accounts, and therefore the accounting treatment is outside the Council's remit to change, so it is considered inappropriate to make this adjustment.

<u>Conclusions</u>

4.1 The 2013/14 Statement of Accounts has been amended since presented to the June meeting of this committee. The changes have been of an accounting technical nature and have had no effect on the overall balances of the Council.

4.2 An unqualified audit opinion is expected to be issued by 30 September by BDO.

Background Papers:

The Background Papers used in compiling this report were as follows:

Final Accounts working papers 2013/14
BDO Annual Governance Report 2013/14
