

BODY: **AUDIT AND GOVERNANCE COMMITTEE**
DATE: **23 September 2015**
SUBJECT: **Statement of Accounts 14/15**
REPORT OF: **Financial Services Manager**

Ward(s): All

Purpose: To agree the audited accounts for 2014/15 under powers delegated by the Council.

Decision Type Key decision

Contact: Pauline Adams, Financial Services Manager.
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Recommendations: Members are asked to -

- i) Approve the final audited accounts for 2014/15.
- ii) Agree the action taken in respect of unadjusted audit differences identified by External Audit.
- iii) Note the comments on the significant deficiencies in the Control Environment
- iv) Agree delegated authority to the Chief Finance Officer to make 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 2014/15 at its meeting on 24 June 2015.

2.0 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 Key issues arising from the audit.

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 Several disclosure notes were amended to improve the clarity of the accounts; these had been prepared on the same basis as the 2013/14 statement and previously accepted by audit. None of the changes are of a material nature.

3.4 Members are asked to confirm the following action on the following unadjusted audit differences:

1. Impact of brought forward misstatements relating to the revaluation increase calculated in prior year of £61k. This was the estimated difference in valuation of Council Dwellings as the compound effect of increases was not applied. The net book value of Council Dwellings is £132m. This has no effect on the final outturn.
2. Incorrect recognition of revaluation losses in the Revaluation Reserve instead of the Comprehensive Income & Expenditure Statement. This relates to the revaluation of four assets and has resulted in an understatement of £89,000 of expenditure. This has no effect on the final outturn.
3. Over accrual of non domestic rates levy payable to DCLG – (£237k) – an error was made when calculating the levy payable which should have been 50% of the surplus was taken as 100%. This taken together with the item below is considered to be immaterial and will be accounted for in 2015/16.
4. Over accrual of section 31 grant due for small business rate – (£105k) – the figure for the grants due was taken in

error from the NNDR return to DCLG, which did not take into account an adjustment for tariff payment.

5. Under accrual for non-domestic appeals provision - £38k- an error was made on the spreadsheet used to do the calculation. This is considered immaterial and will be adjusted for in 2015/16.

3.5 The following four issues have been raised as having significant deficiencies in the Control Environment:

1. The implementation of control checks on journals under £100,000 – this has been discussed with audit on many occasions. The majority of journals are systems generated as postings from other systems such as payroll and income management and as such are automatically posted without requiring authorisation. The resources required to carry out a check on every journal are high and therefore the working practice is to authorise only journals that are manually generated over £100,000.
2. Assets should be retained in fixed asset register if still held. One asset, with a total cost of £287k, which had been depreciated to nil was removed from the fixed asset register. This should be re-valued if there is any remaining material value. Agreed - this will be completed in 2015-16.
3. Implement passwords to access fixed asset register; now implemented.
4. Checking registration details for Personal Service Companies – agreed to implement. Officers are currently working at setting up new procedures.

4.0 **Conclusions**

4.1 The 2014/15 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 2014/15
BDO Annual Governance Report 2014/15
