

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 10TH SEPTEMBER 2014

SUBJECT OF REPORT: STATEMENT OF ACCOUNTS 2013/14 - SUBJECT TO AUDIT INSPECTION INCLUDING ANNUAL GOVERNANCE STATEMENT

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: PETER SLOMAN, HEAD OF FINANCIAL MANAGEMENT

KEY DECISION: N/A

RECOMMENDATIONS

1. That the Audit Committee notes the details, as contained within the report, of the councillor workshop held on 17th July 2014 to consider the 2013/14 Accounts and the Annual Governance Statement.
2. The Audit Committee are requested to:
 - i. consider the matters raised in the Annual Governance Statement;
 - ii. take note of any adjustments to the financial statements set out in the external auditors report;
 - iii. consider the proposed adjustments to the financial statements that have been identified, which either need to be adjusted or reasons accepted for not amending;
 - iv. approve the letter of representation; and
 - v. agree the Committee's response to the proposed action plan.
3. That subject to any comments under 1 and 2 above, the Audit Committee recommends to Council;
 - i) to approve the Statement of Accounts for 2013/14
 - ii) that the Chairman of the Council and the Chief Finance Officer sign the Council's Statement of Accounts for 2013/14 as representing a 'true and fair view' of the financial position of the Council as at 31st March 2014
 - iii) that the Leader of the Council and the Chief Executive Officer formally approve the Council's Annual Governance Statement as part of the financial statements and sign accordingly.

1. SUMMARY OF REPORT

Statement of Accounts

To present to the Audit Committee the Council's Statement of Accounts for 2013/14 (subject to audit). These accounts are required by the Accounts and Audit Regulations 2011 to be signed by the Chairman of the Council and the Chief Finance Officer as representing a 'true and fair view' of the financial position of the Council as at 31st March 2014.

The Statement of Accounts were prepared in accordance with best practice as defined in the Code of Practice on Local Authority Accounting 2013/14 incorporating the requirements of International Financial Reporting Standards (IFRS), and were published on the Council's website by the required date of 30th June 2014.

Annual Governance Statement

Also to present the Council's Annual Governance Statement (AGS). The Annual Governance Statement is required by the Accounts and Audit Regulations 2011 to be published with the Council's Statement of Accounts and to be formally approved and signed by the Leader of the Council and the Chief Executive.

The AGS for 2013/14 has been completed in accordance with the framework previously agreed by the Audit Committee. Members considered the draft Statement in detail at their workshop in the 17th July 2014, and the Statement continues to reflect the current position at September 2014.

2. POLICY

The preparation and publication of an Annual Governance Statement is in accordance with the "Delivering Good Governance in Local Government" framework introduced by CIPFA SOLACE during 2007, and updated in 2012. The AGS explains how North Somerset Council has complied with the Local Code of Corporate Governance which arises from the CIPFA framework and also meets the requirements of:

- The Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, specifically Regulation 4 in respect of the preparation and publication of a Statement of Internal Control; and
- The Accounts and Audit (England) Regulations 2011, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (3) in respect of the preparation and publication of an Annual Governance Statement.

These regulations require authorities to "conduct a review at least once a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices". Regulation 4 requires the findings of the review of the system of internal control to be considered by a Committee of the relevant body, or by its members of the body meeting as a whole, at North Somerset Council, this function is the responsibility of the Audit Committee.

3. DETAILS

Statement of Accounts

The draft Statement of Accounts was presented to Audit Committee on 17th July 2014 and an overview of the Accounts and principal Statements was provided. It was noted that there was one issue of a significant nature reflected within the 2013/14 Accounts, which impacted on the core financial statements; however the entry did not have any effect on the level of General Fund Balance held at the year-end.

The main issue highlighted was:

- a decrease in the pensions liability relating to the actuarial gain reported within the Avon Pension Fund. Actuarial gains arise following changes in assumptions and re-measurement of estimates in respect of future events or values.

A summation of the Council's revenue performance against budget was provided, explaining the relationship between management reports presented to members throughout the financial year and the Statement of Accounts. The movement within the Council's revenue budget between periods and the potential for improvement in this area was discussed.

The Head of Financial Management also gave an overview of the financial challenges facing the Council in the years ahead, drawing attention to central government funding reductions, and how the Council was planning to react to these pressures by becoming more financially self-reliant and transforming many of its services.

Members were also given a brief review of a number of key financial indicators, similar to a financial 'health-check', which showed that the Council's overall financial position could be considered reasonable and is broadly in line with similar local authorities.

At the time of writing this report, the External Audit of the Accounts is continuing and has not yet been finalised and whilst a few minor amendments to the Accounts are currently proposed, officers at this stage believe that any further proposed changes would be minor in terms of significance and value, meaning that it would not be appropriate to publish a further version of the Accounts until such time as the audit is closer to completion. In the meantime, the original draft statement of accounts can be accessed via the following link.

[http://www.nsomerset.gov.uk/Your_Council/Finance/Documents/statement%20of%20accounts%202013%202014%20\(unaudited\).pdf](http://www.nsomerset.gov.uk/Your_Council/Finance/Documents/statement%20of%20accounts%202013%202014%20(unaudited).pdf)

Annual Governance Statement

In accordance with the framework agreed by the Audit Committee, the Head of Internal Audit has led on the collation and co-ordination of information relating to the preparation of the draft AGS and gathering of evidence to support any statement made within the AGS.

The Audit Committee had considered emerging issues throughout the year and this has informed the content of the AGS, which had been reviewed by the Council's Financial Strategy group and its Statutory Officers, prior to inclusion within the draft statement in June 2014.

The Council's final Annual Governance Statement has been published within the Statement of Accounts and is a declaration of assurance, its aim is to report the extent to which the Council has in place reliable controls that will safeguard its resources and ensure that these are being used to meet priorities and service objectives agreed by Members.

Significant control issues that had previously featured within the AGS had been reviewed during the process, and remedied to a position where they are no longer considered as significant control issues.

One new significant control issue has been identified during this year, this relating to financial governance and accounting arrangements within Adult Social Services, and also the joint working with health organisations. Further details can be found on this matter within the Statement but it was agreed that all parties would review overall governance and financial management arrangements, particularly given the move towards greater integration.

Accounts Inspection

The Accounts of the Council were made available for public inspection at the Town Hall between the hours of 9am and 1pm and 2pm and 4pm for 20 clear working days commencing Thursday 17th July 2014.

In addition, during this period local government electors for North Somerset, or their representative were able to ask the auditor questions about the accounts. They could also make objections, ask the auditor to issue a report in the public interest (under section 8 of the Audit Commission Act 1998) and/or apply to the court for a declaration that an item in the accounts is contrary to the law (under section 17 of the Audit Commission Act 1998).

Summary Accounts

Upon approval a summarised version of the Council's Accounts will be made available on the Council's website, and included within North Somerset Life.

4. CONSULTATION

The audit committee workshop was made available to all councillors, and provided the opportunity for detailed questions on the Council's accounts.

As detailed in the body of the report, the Accounts were made available for inspection to members of the public, in line with statutory requirements.

Senior officers of the council have been involved with the formulation of the AGS, and members of the audit committee have been continually updated, with process as well as outcomes and findings.

5. FINANCIAL IMPLICATIONS

Financial implications are detailed throughout the Statement of Accounts.

6. RISK MANAGEMENT

Risk implications are contained throughout the Annual Governance Statement. Failure to comply would result in non-compliance of Statutory Legislation and leave the council open to criticism by external audit.

7. EQUALITY IMPLICATIONS

None

8. CORPORATE IMPLICATIONS

Although the production of an Annual Governance Statement is a statutory requirement of the Accounts and Audit (Amendment) (England) Regulations, the responsibility for securing effective governance, internal control and risk management arrangements rests with all senior officers and members of the Council, and not with auditors and finance staff alone.

The Council's external auditor will have to take a view on whether any significant governance or internal control weakness identified by the AGS, and the action being taken to remedy them, are a proper reflection of the Council's governance and internal control arrangements, and that no material weaknesses have been omitted.

9. OPTIONS CONSIDERED

None. The accounts are produced in line with statutory legislation.

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BACKGROUND PAPERS

NSC Statement of Accounts 2013/14 –subject to external audit inspection