

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 10TH SEPTEMBER 2015

SUBJECT OF REPORT: STATEMENT OF ACCOUNTS 2014/15

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: MALCOLM COE, HEAD OF FINANCE AND PROPERTY

KEY DECISION: YES

RECOMMENDATIONS

1. 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. approve the letter of representation; and
 - iv. agree the Committee's response to the proposed action plan.

2. That subject to any comments under 1 above, the Audit Committee recommends to Council:
 - i. to approve the Statement of Accounts for 2014/15
 - ii. that the Chairman of the Council and the Chief Finance Officer sign the Council's Statement of Accounts for 2014/15 as representing a 'true and fair view' of the financial position of the Council as at 31 March 2015
 - 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

The Council's draft Statutory Statement of Accounts was prepared and approved ready for audit by the Head of Finance and Property on 26 June 2015. The Accounts have now been audited and are being presented to Audit Committee for review prior to formal approval by Council on 29 September 2015.

The Accounts and Audit Regulations require the accounts to be formally approved and published by 30 September 2015. The revised Statement of Accounts for 2014/15 is attached at Appendix A.

Annual Governance Statement

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 2014/15 has been completed in accordance with the framework previously agreed by the Audit Committee. There have been no new significant issues identified this year and the Statement continues to reflect the current position at September 2015.

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 2014/15 was approved by the Head of Finance and Property and published on the Council's website on 26 June 2015. The External Auditor's Audit Findings Report (ISA 260 Report), including the outcome on the annual accounts audit and an action plan addressing key audit issues, is being presented to this meeting.

The Accounts and Audit Regulations require the Statement of Accounts to be approved by the Council by 30 September 2015.

The Council has followed the guidelines given by CIPFA to de-clutter the accounts and this year finance officers have worked with colleagues in marketing and communications to re-design the accounts, making them more readable for the user and taking out as much jargon and non-relevant wording as possible. The aim has been to reduce the size of the document and to make the accounts clear and concise while still keeping within the Code of Practice.

The revised Statement of Accounts for 2014/15 is attached at Appendix A.

As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. This letter may be signed by the Head of Finance and Property and the Chair of Audit Committee and is attached at Appendix B.

The Accounts have been produced in line with the CIPFA Code of Practice for 2014/15. The auditor has outlined in the ISA 260 report being presented to this Committee that he is satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2014/15 (The Code).

Changes to the 2014/15 Code of Practice

There was one significant change to the 2014/15 Code being an addendum, "*Appendix E Accounting for schools in local authorities in England and Wales*".

This addendum is the result of many years of review and consultation regarding which assets, liabilities, income and expenditure relating to maintained schools should be included within a local authority's accounts.

Appendix E confirms that based on the indicators of control within IFRS10, the balance of control lies with local authorities for all maintained schools and allowed special arrangements for the consolidation of schools into the Council's single entity financial statements. However, *Appendix E* does not prescribe whether non-current assets should be consolidated but instead that the control of assets should be determined in line with relevant standards.

Accounting for school land and buildings previously depended primarily on the type of school (Community, Voluntary Controlled, Voluntary Aided or Trust) and overall assessment of control. This view has been revised and now all maintained school assets, except for Land not owned by the Council, are recognised in the Council's financial statements.

In addition, Unofficial School Funds controlled by the schools but previously excluded have been brought into the Council's financial statements.

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 received an AGS review update in March 2015 prior to inclusion within the draft statement in June 2015.

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.

No new significant control issues have been identified during this year.

5. CONSULTATION

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.

6. FINANCIAL IMPLICATIONS

Financial implications are detailed throughout the Statement of Accounts.

7. 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.

8. EQUALITY IMPLICATIONS

None

9. 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.

10. OPTIONS CONSIDERED

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

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BACKGROUND PAPERS

NSC Statement of Accounts 2014/15