
Report to: Audit and Governance Committee **Date of Meeting:** 10 September 2014

Subject: Statement of Accounts 2013/2014

Report of: Head of Corporate Finance & ICT

Wards Affected: All

Is this a Key Decision? No

Is it included in the Forward Plan? No

Exempt/Confidential No

Purpose/Summary

To present the final audited 2013/2014 Statement of Accounts for consideration and approval. In addition, the proposed "Letter of Representation" letter from Sefton to PriceWaterhouseCoopers LLP (PwC) is attached for approval.

Recommendation(s)

The Audit and Governance Committee is asked to:

- i) Approve the 2013/2014 Statement of Accounts;
- ii) Approve the Annual Governance Statement;
- iii) Note the comments of PriceWaterhouseCoopers LLP; and
- iv) Approve the Letter of Representation and Authorise the Chair and the Head of Corporate Finance and ICT to sign it on the Council's behalf.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Jobs and Prosperity		√	
3	Environmental Sustainability		√	
4	Health and Well-Being		√	
5	Children and Young People		√	
6	Creating Safe Communities		√	
7	Creating Inclusive Communities		√	
8	Improving the Quality of Council Services and Strengthening Local Democracy	√		

Reasons for the Recommendation:

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts. The Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Accounts for 2013/2014 by the 30 September 2014.

What will it cost and how will it be financed?

(A) Revenue Costs
None arising from this report.

(B) Capital Costs
None arising from this report.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	This report complies with legislation, particularly the requirements of the Accounts and Audit (England) Regulations 2011	
Human Resources	None	
Equality		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

N/A

What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT has been involved in the preparation of this report. (FD 3161/14)

Legal Services (LD 2453/14) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

None.

Implementation Date for the Decision

N/A

Contact Officer: Margaret Rawding
Tel: 0151 934 4082
Email: Margaret.rawding@sefton.gov.uk

Background Papers: None.

1. Background

- 1.1 Since 2010/2011 the Audit and Governance Committee is only required to approve the Statement of Accounts following the completion of the Audit.
- 1.2 PriceWaterhouseCoopers (PwC) have now completed the audit of the 2013/2014 Statement of Accounts. Paragraph 2 discusses the content of the Statement of Accounts and highlights there are no significant changes to the Accounts since 2012/2013. The approval of the Annual Governance Statement is considered in paragraph 3. The report from PwC on the financial statements (including formal opinion on the accounts) can be found in Paragraphs 4 and 5. This report also provides informal feedback on the work PwC undertook to assess Sefton's Value for Money.
- 1.3 As part of the formal process to approve the Accounts, the Committee is required to authorise Sefton's "Letter of Representation" to PwC. This basically acknowledges the Council's responsibilities in preparing the Accounts and confirms whether there have been any material changes to the financial circumstances contained in the Accounts that PwC should be made aware of. This is considered further in Paragraph 6.

2 The Content of the Statement of Accounts

- 2.1 The 2013/2014 Statement of Accounts is an important document, which aims to provide clear information about the Authority's finances for the year and is intended to answer:
 - What the Authority's services cost for the year?
 - Where the money comes from to pay for these services?
 - What were the Authority's assets and liabilities at the year-end?
- 2.2 In summary, the Original Estimate for 2013/2014 estimated that balances for non-school budgets would total £6.576m at 31 March 2014; i.e. the assumption was that balances would not increase. The outturn for 2013/2014 shows that a net underspend of £3.490m has been achieved against this budget, i.e. increasing the level of General Fund Balances to £10.066m. Cabinet on 17 July 2014 were informed that the net underspend was £3.578m. The reduction in the underspend of £0.088m was due to amendments agreed during the audit of the accounts.
- 2.3 In line with previous practice, savings agreed by the Council in October / November 2012 for future years, were approved for immediate implementation. This has led to an overachievement of the savings targets in some areas in 2013/2014 (in order to achieve the targets for 2014/2015). Officers have been diligent in the management of resources and this has given the Council early savings which can contribute to earmarked reserves / balances to assist the Authority phase in savings in coming years.
- 2.4 The Statement of Accounts (attached as **Annex A**) and the Executive Summary (attached as **Annex B**) are also important in:-
 - Demonstrating proper stewardship of public monies;

- Providing evidence of the quality and robustness of the authority's financial systems and processes;
- Indicating that current financial performance, monitoring and the Medium Term Financial Plan are integrated processes which will assist the Council in improving its financial standing;
- Providing the key financial information, which will enable future plans and decisions to be made on the basis of known facts and available financial resources; and
- Providing a key line of communication to stakeholders on the Council's current financial performance. The detailed accounts will be available online on Sefton's website, in hard copy in libraries and the Executive Summary circulated to all Council Members and other stakeholders.

2.5 The Statement includes an Explanatory Foreword, which focuses on the most significant matters reported in the Accounts. A brief explanation of each statement is also provided (highlighting what the statement is intended to show) to aid the understanding of the Accounts.

2.6 The 2010/2011 Statement of Accounts were the first set of accounts to be produced under the International Financial Reporting Standards (IFRS) code. Adoption of the IFRS based code resulted in significant changes to both presentation and values in the accounts. For 2013/2014 there are no significant changes. However, a number of presentational changes, particularly in relation to Participation in Pension Schemes, have been made to improve the clarity of the Accounts and more closely reflect the disclosure requirements.

2.7 In addition, the accounts incorporate the changes relating the Business rates retention and the transfer of Public Health responsibilities. Further information can be found in the Explanatory Foreword.

2.8 The statutory declaration by the Head of Corporate Finance and ICT in the Statement represents her approval of the Accounts. Following approval of the Statement of Accounts by the Audit and Governance Committee, the Chair is required to sign the Accounts along with the external auditor completing their statutory certifications in relation to his opinion on the financial statements.

3 **Annual Governance Statement**

3.1 The "Annual Governance Statement" is required to be presented with the Statement of Accounts. The statement is included as section 10 of the Council's Accounts and needs to be formally accepted by this Committee.

4 **Significant Accounting Matters / Corrected Misstatements**

4.1 The PwC Report to those charged with Governance is attached at **Annex C** and gives details of the significant audit and accounting matters to consider and the material misstatements identified as part of their audit work which have been corrected. These items are listed below and more details can be found in the PwC Report:

- 4.2 Significant audit and accounting matters (pages 7-10):
- Valuation of Property, Plant and Equipment and Investment Property
 - Segmental Reporting
 - Contaminated Land Reserve
 - Pensions Liability
- 4.3 Corrected Misstatements (pages 25-27):
- Bank and Cash
 - Overstatement of the valuation of Splashworld
 - Transitional Relief
 - NNDR Provision for Appeals
 - Overstatement of Investment Property
 - Impairment classification between Revaluation Reserve and Comprehensive Income and Expenditure Account
 - Accounts Payable Cut-Off Error
- 4.4 There is one uncorrected judgemental misstatements for 2013/2014 relating to a reconciling difference of £0.218m between the Fixed Asset Register and the financial statements. However, it is considered that this is made up of a number of smaller items that aren't material. Therefore no adjustment has been made.

5 PriceWaterhouseCoopers' Report to those charged with Governance

- 5.1 The report covers the audit of the Statement of Accounts and Value for Money work undertaken by PwC. Staff from PwC will be present at the meeting to provide a brief summary of the issues contained in the report and to answer any questions Members may have.
- 5.2 With regard to the Accounts issues, the report has not identified any matters that require reporting to this Committee. At the time of writing the report, PwC had a small number of items to conclude; however they anticipate that an unqualified opinion will be issued.
- 5.3 PwC have a responsibility to carry out sufficient and relevant work in order to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. PwC anticipate issuing an unqualified value for money conclusion which has been based on a local programme of audit work.
- 5.4 PwC's report also makes recommendations in relation to weaknesses identified in internal control systems. Officers have considered the recommendations and the report includes their response to each issue.

6 Letter of Representation

The Council is required to provide a letter of representation to the Auditor at the conclusion of the audit. This acknowledges the Council's responsibilities in preparing the Accounts and provides the assurance to PwC that no new information or decisions have been taken that would materially affect the Statement of Accounts for the year. Sefton's is attached at **Annex D**. No issues or decisions have been made / need to be disclosed. The letter has to be signed by the Chair of the Audit and Governance Committee and the Head of Corporate Finance and ICT.