



Audit & Governance Committee  
31 July 2014

## Annual Report of Surrey County Council

### Purpose of the report:

To formally consider the Annual Report for the authority

### Recommendations:

It is recommended that:

1. Note and endorse the Annual Report (Annex A) for the authority

### Introduction:

2. In previous years the Annual Report included the unaudited financial accounts. Due to the improvements in the progress of producing the Statement of Accounts and working with the external auditors, this year the Annual Report now contains the audited financial statements and has its own audited opinion. There are other internal process and external guidance changes.

### Changes to the annual report

#### Internal process changes:

3. The leadership of the Council has led the improvements in accountability and governance further through the Annual Report. There have been major improvements to the audit timetable that means the auditor can give his opinion on the accounts by the end of July. In the past the Chief Executive and Leader approved the Annual Report with unaudited accounts. This year, there is a significant improvement in the quality of the financial information that is published including the audited financials in Annual Report.

4. The endorsement of the Audit & Governance Committee, will formalise the completion of the 2013/14 Annual Report. Council delegates responsibility to the Audit & Governance committee to receive the audited Statement of Accounts and the result of the external audit, and approval of the Annual Report supplements this process.
5. The Annual Report contains some key transparency information that in the past has been reported only through “freedom of information” requests. For example: the complaints information has been summarised and collated to provide a cohesive position of the council’s complaints incorporating the three different complaints processes we are required to have. There is only one significant reduction in the information relating to member attendance as formal council and committee meeting. This information is available on the external website in a simple analytical tool.

**External guidance changes:**

6. Shareholders are challenging corporate entities to communicate their business value more effectively. Over the last few years some corporate entities have piloted an integrated annual reporting process. This explains an entity’s business story more effectively by clearly and consistently demonstrating its stewardship and how it creates and sustains value over the short, medium and long-term.
7. Recently, Integrated Report (IR) guidance has been published by the International Integrated Reporting Council (IIRC). This guidance is currently voluntary but is best practice. One of the benefits of Integrated Reporting is better articulation of the organisation’s strategy and business model, connecting silos and improving internal processes. All of these lead to better understanding of the business, more and broader consideration of risks and opportunities, and improved communication to stakeholders of the value improvements the organisation has made.
8. The IIRC definition of the Integrated Report is:

*An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. IR is needed by business and investors. Businesses need a reporting environment that is conducive to understanding and articulating their strategy, which helps to drive performance internally and attract financial capital for investment.*

*International Integrated Reporting Council*

9. IR isn’t fully transferable to local government especially with regard to aspects of creating value. However, there are some principles of articulating and understanding our strategy in a concise communication that befits the transparency strategy. With this in mind the 2013/14 Annual Report has been collated using these principles but on a basis that is appropriate for the authority.

10. The council already produces most of the information that is needed for integrated reporting. Some of the available information could be added to the 2013/14 annual report is how the corporate strategy links to the organisation, greenhouse gas emissions, and risks.
11. The 2013/14 Annual Report is a report integrating the authority's business and performance in one place. Whereas, in previous years there has been a clear distinction between the performance and financial sections. Also, there has been a conscious approach of integration and keeping things simple throughout the report especially by using shorter web address when referring to the Surrey external website.

<b>Conclusions:</b>
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12. The county council's annual report, set out in Annex A, now includes:
  - due to the internal process changes:
    - Audited financial information
    - Improved and summarised complaints information
  - due to the Integrated Report guidance:
    - The council's business model and strategy
    - Environmental sustainability review
    - Summarised Governance structure
    - Principal risks
    - Salary banding with gender proportions.
13. The Annual Report 2013/14 will be available and published (external website and paper) in August.

### **Financial and value for money implications**

14. There are no direct financial implications of this report, all financial implications in the accounts have been made in line with the Code of Practice and any impact on the 2013/14 budget has been considered in the outturn report to the Cabinet.

## Equalities and Diversity Implications

15. There are no direct equalities implications of this report.

## Risk Management Implications

16. There are no direct risk management implications of this report.

<b>Next steps:</b>
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The Annual report 2013/14 will be available and published (external website and paper) in August.

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### **Sources/background papers:**

Financial Reporting Council. (2011). Cutting clutter – combating clutter in annual report.

Department of Business, Innovation and Skills. (October 2012). Simpler company reporting to focus on transparency and gender balance.

The Crown Estate. (2013). Annual report.

International Integrated Reporting Council. (April 2013). International framework integrated reporting.

Financial Reporting Council, (August 2013). Exposure draft – Guidance on the Strategic report.

Statutory Instrument (August 2013). The Companies Act 2006 (Strategic report and Director' report) Regulation 2013.

Building Public Trust Awards - PwC. (3 October 2013). Showing the way forward - excellence in reporting awards.

ACCA. (15 October 2013). Accounting for the Future - Integrated Reporting.

Parliamentary and Health Service Ombudsman (PHSO) – The Parliamentary Ombudsman's review of government complaint handling 2013

Financial Outturn 2013/14 – Report to Cabinet 27 May 2014.

Statement of Accounts 2013/14 – Report to Audit & Governance Committee 31 July 2014