



**Audit & Governance Committee  
31 July 2014**

**Statement of Accounts 2013/14**

**Purpose of the report:**

To inform the Committee of the result of the external audit of the council's 2013/14 Statement of Accounts, to receive the external auditor's Audit Findings Report and to approve the council's letter of representation from the Director of Finance.

**Recommendations:**

It is recommended that the Committee:

1. Approve the 2013/14 Statement of Accounts , as attached in Annex A, for publication on the council's website and in a limited number of hard copies;
2. Consider the contents of the 2013/14 Audit Findings Report in Annex B;
3. Agree the officer response to recommendations of the external auditor;
4. Note the Chief Finance Officer's letter of representation, which is attached in Annex C;
5. Determine if any issues in the Audit Findings Report should be referred to the cabinet.

**Introduction:**

6. The Director of Finance has approved the statement of accounts for 2013/14 as presenting a true and fair view of the county council's financial position as at the 31 March 2014 and its income and expenditure for the year. The accounts are attached at Annex A to this report for Member debate and approval.
7. The auditor has provided a commentary and recommendations on the statement of accounts in their Audit Findings Report (attached as Annex B).

8. The auditor anticipates issuing an unqualified opinion on the financial statements and the Value for Money conclusion stating that the council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

#### **The Statement of Accounts 2013/14**

9. The 2011 Accounts & Audit Regulations require that the annual statement of accounts produced by local authorities is published by 30 September, and that they are approved, prior to this date, by a non-executive committee of the local authority.
10. The presentation of these audited accounts to this Committee by the end of July, well in advance of the statutory deadline, represents a significant achievement for the Finance Service. It is the result of a number of years of continuous improvements in relation to the production of the Statement of Accounts and a strong working relationship with Grant Thornton, our external auditors. It has also resulted in audited summary accounts being included in the Annual Report for 2013/14 for the first time.
11. The Director of Finance is responsible for the preparation of Surrey County Council's statement of accounts, the pension fund statement of accounts and the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code).
12. The Code is a very prescriptive document, and determines not only the accounting policies to follow, but also the form and content of the statement of accounts. The Code is based on International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board. Local authorities have a legal obligation to follow "proper accounting practice", this therefore means that compliance is mandatory.
13. In addition to the Code, the Service Reporting Code of Practice (SERCOP) prescribes the format and composition for reporting service income and expenditure in the Comprehensive Income and Expenditure Statement. This is designed to allow comparison of service expenditure and income between authorities.
14. Any significant departure from The Code or SERCOP will normally result in a qualified audit opinion.
15. Annex A presents the 2013/14 Statement of Accounts. Draft accounts were produced and presented for audit by the end of May 2014. Since then three amendments have been made, as detailed below. These changes do not alter the Council's budget outturn position that was approved by the Cabinet in May and its reserves and balances remain as previously reported.
  - Collection Fund Adjustment - 2013/14 saw the introduction of a revised funding mechanism in relation to the distribution of business rates collected by our borough and district councils. Complications and a lack of clarity over a number of issues

resulted in delays to figures being provided to the council. Surrey County Council has to show in the comprehensive income and expenditure account its share of any surplus or deficit and its share of any debtors and creditors in its balance sheet in relation to both Council Tax and business rate collection. The delay in the receipt of this information meant that the accounting adjustment required to represent these amounts could not be actioned until after the accounts had been submitted for audit.

- An additional contingent liability was identified by the Council during the audit in relation to Firefighters' Pensions. An amendment was therefore made to the contingent liability note.
  - A correction was made to the carrying amount of financial liabilities in Note 15, due to a typographical error.
16. In addition, a number of small amendments for typographical errors and rounding differences were made and additional narrative has been added for clarification purposes.
17. All material adjustments identified, have been made.

#### **2013/14 Audit Findings**

18. The Audit Findings Report summarises the findings of the 2013/14 audit, which is now nearing completion. It includes the messages arising from the audit of the statement of accounts and the results of the external auditor's work undertaken to assess the council's arrangements to secure value for money in the use of resources.
19. The external auditor's 2013/14 report is presented in Annex B and sets out a summary of the work carried out during the audit of the accounts, the conclusions reached and recommendations made.
20. At the beginning of the audit the auditors produce an audit plan, which was reported to this Committee in March 2014. The audit plan identified areas of significant risk of material misstatement. The audit findings report summarises the work completed in relation to this risk areas. The audit work undertaken has not identified any issues in respect of these areas.
21. The audit fee is in line with the planned fees and there was no unplanned work required.
22. The auditor is anticipating issuing an unqualified opinion on the financial statements and on the arrangements for securing economy, efficiency and effectiveness in its use of resources. There are a small number of items still to be signed off by the auditors before the final opinion can be issued, which are summarised in their report and which have to occur simultaneously to the approval and final sign off of these accounts.

23. The auditors make two recommendations, summarised in Appendix A to their report along with management responses. These relate to:

- Revaluation schedule – a minor amendment was made to the wording of the Code of Practice in relation to revaluations which requires all assets within the same asset class (eg land and buildings) to be re-valued simultaneously. However, it does allow a class of assets to be re-valued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. The Council currently has a rolling 5 year revaluation programme which it feels meets this requirement without incurring disproportionate expense in relation to external valuation fees. The Council has provided evidence to the auditors to demonstrate that the carrying values of those assets not re-valued in year does not materially differ from the estimated fair value at the balance sheet date.
- Property, plant and equipment reconciliation – the Council currently reconciles the opening net book value of assets to the asset register held on SAP. There are currently discrepancies between the opening gross values and opening accumulated depreciation values which will be reconciled during the current financial year.

#### **Conclusions:**

24. Following the changes included above, and the results of the audit, the accounts are now presented to this Committee for approval.

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

25. 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 2013/2014 budget has been considered in the outturn report to the Cabinet.

#### **Equalities and Diversity Implications**

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

#### **Risk Management Implications**

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

<b>Next steps:</b>
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28. The statements of accounts will be published in line with the statutory deadline. The only changes made to the published version will be presentational, with the accounts typeset into a booklet style. A version of the statements will also be posted on the council's website, and again some of the formatting may change to ensure it complies with the council's accessibility standards.

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**Sources/background papers:**

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 CIPFA

Service Expenditure Reporting Code of Practice 2013/14 - CIPFA

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