



AUDIT & GOVERNANCE COMMITTEE
2 September 2013

**2012/13 SURREY COUNTY COUNCIL ACCOUNTS AND
EXTERNAL AUDIT FINDINGS REPORT**

SUMMARY:

The 2012/13 Statement of Accounts was presented to this Committee at its meeting on the 24 June 2013 for review and the recommendations have been incorporated into the final accounts. Grant Thornton, as the council's external auditors are reaching the completion of their audit and the Statement of Accounts is being presented to this Committee to be approved, prior to publication (Annex A). The auditor has provided a commentary and recommendations on the statement of accounts in their Audit Findings Report (attached as Annex B).

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.

PURPOSE:

The purpose of this report is to inform the Committee of the result of the external audit of the council's 2012/13 Statement of Accounts, to receive the external auditor's Audit Findings Report and to approve the council's letter of representation from the Chief Finance Officer & Deputy Director for Business Services (attached as Annex D).

BACKGROUND:

1. 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. This Committee reviewed the accounts, subject to external audit, on the 25 June 2012 and the amended accounts are now represented to this Committee for re-approval now the audit has concluded.
2. The draft statement of accounts were prepared by the end of May 2013. The external audit of these accounts was substantially complete by the end of July. In light of this achievement and in line with the finance team's Public Value Review (PVR) vision, a provisional timetable for 2013/14 has been agreed with the external auditors to enable the planned approval, by this Committee, of the audited financial statements at the end of July 2014.

CONCLUSION:2012/13 Statement of Accounts

3. Annex A re-presents the 2012/13 Statement of Accounts, highlighting changes made to the document submitted to this committee in June. The Audit Findings Report, which is included as Annex B, and the table below lists the amendments that have had to be made. 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.

4. Table 1 – Amendments to draft statements following audit of statements

Page (s)	Statement/Note	Description
14	Comprehensive Income & Expenditure Statement	<p>Gross expenditure and income were both overstated by:</p> <p>Fire Service - £9.8m, due to the firefighters' pensions transactions not be excluded from either income or expenditure.</p> <p>Other operating I&E (also note 9) – both income and expenditure over stated by £2.4m.</p> <p>Financing and investment I&E (also note 10) - both income and expenditure over stated by £0.9m.</p> <p>These adjustments have no impact on the net expenditure in relation to each of these lines or on the total surplus on the provision of services.</p>
15	Balance Sheet	<p>New line added for 'current liabilities' which contains amounts in relation to finance leases and PFI contracts which are repayable in the next 12 months. These amounts have been removed from the 'other long-term liabilities' line and so there is no change to the Council's Net assets/liabilities.</p>
36	Note 6: Events after the Balance Sheet date	<p>A post balance sheet event has been added in relation to the County's share of liabilities in relation to refunds of business relates to ratepayers who have successfully appealed against the rateable value of their properties. This was not included in the draft accounts as the information had not been received from the Boroughs and Districts and therefore we had not taken a view as to the materiality of this liability.</p>

41 & 72	Note 11: Council tax and general grants & contributions & Note 39 Grants & Contributions	The income received from the CLG for non-domestic rates and revenue support grant was not split accurately. This has been adjusted to reflect the total formula grant received. In addition, in note 39 there has been some reclassification of grant amounts. There is no change to the bottom line total for council tax and general grants and contributions.
47	Note 16: Financial Instruments	Various changes to this note to ensure that it discloses all financial instruments in line with the definition in the Code. Cash and cash equivalents have been included in the financial assets totals and third party balances included in the financial liabilities figures. In addition, some of the prior year comparisons were inaccurately quoted and deposits with other local authorities have been separately identified from the institutions with specific credit ratings (in line with discussion at the A&G Committee in June).
76	Note 42: Leases	There has been some payment / income re-profiling changes of the operating leases amounts, both when Surrey is the leasee and the lessor.

5. In addition, there are a number of amendments for typographical errors, rounding differences and additional narrative added for clarification purposes.
6. All material adjustments identified, have been made.
7. Following the changes included above, and the results of the audit, the accounts are now presented to this Committee for approval.

2012/13 Audit Findings

8. The Audit Findings Report summarises the findings of the 2012/13 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.
9. The external auditor's 2012/13 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.
10. At the beginning of the audit the auditors produce an audit plan, which was reported to this Committee in March 2013. 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, however, two best practice recommendations have been made.
11. The audit fee is in line with the planned fees and there was no unplanned work required.

12. 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:

- At the time of writing this report, we were awaiting confirmation from one bank of the year-end investment
- Final sign off of the letter of representation - this is attached in annex D and will be completed once it has been considered by this Committee
- Until the final audit opinion is issued, there is potential for there to be additional post balance sheet events
- At the time of writing this report, the auditors still have to complete their testing of the Whole of Government Accounts and Teachers Pensions Returns, both of these are planned for the week commencing the 26 August.

13. Attached at Annex C is the Audit Findings Report for the Firefighters' Pension Fund. The auditors are no longer required to issue a separate opinion on the Fund's financial statements but look at them alongside the County's accounts. The auditors have not identified any adjustments affecting the Fund's financial position.

RECOMMENDATIONS:

14. The committee is asked to:

- i. Approve the 2012/13 Statement of Accounts , as attached in Annex A, for publication on the council's website and in a limited number of hard copies;
- ii. Consider the contents of the 2012/13 Audit Findings Report in Annex B;
- iii. Agree the officer response to recommendations of the external auditor;
- iv. Consider the contents of the 2012/13 Audit Findings Report in relation to the Firefighters' Pension Fund in Annex C;
- v. Note the Chief Finance Officer's letter of representation, which is attached in Annex D;
- vi. Determine if any issues in the Audit Findings Report should be referred to the Cabinet.

IMPLICATIONS:

Financial

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 2012/13 budget has been considered in the outturn report to the Cabinet in May 2013.

Equalities

There are no direct equalities implications of this report.

Risk management

There are no direct risk management implications of this report.

WHAT HAPPENS NEXT:

The statements of accounts will be published in line with the statutory deadline. The only change 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.

A provisional timetable and working arrangements have been agreed with the external auditors for 2013/14 to enable the planned approval of the financial statements at the end of July 2014.

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Sources/background papers:

Financial Outturn 2012/13 – Report to Cabinet 28 May 2013.

Statement of Accounts 2012/2013 – Report to Audit & Governance Committee 24 June 2013

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13
CIPFA

Service Expenditure Reporting Code of Practice 2012/13 - CIPFA

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