

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	22 July 2015
3.	Title:	Statement of Accounts 2014/15
4.	Directorate:	Finance and Corporate Services

### 5. Summary

This report summarises for Members the statutory requirements relating to the preparation, audit and publication of the Council's Statement of Accounts.

It also highlights, in **Appendix 1**, how the key accounting issues and changes to the accounting framework in 2014/15 have manifested themselves in the 2014/15 unaudited Statement of Accounts which are attached as **Appendix 2**.

Whilst there is no formal requirement for Members to consider or approve the unaudited Statement of Accounts, they are being brought before Audit Committee now, so that Members have an opportunity to consider them before being asked to formally approve the Statement of Accounts at the meeting in September after they have been audited.

### 6. Recommendation

The Audit Committee is asked to receive the unaudited 2014/15 Statement of Accounts and to note that the statutory requirement for them to be published no later than 30 June has been complied with.

## 7. Proposals and Details

### Statutory Background

The Accounts and Audit Regulations 2011 specify the arrangements for preparing and publishing local authority financial statements (the Statement of Accounts) in relation to the 2014/15 financial year.

The key aspects are as follows:

- The Council is required to prepare its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting published by CIPFA ("the Code"). In recent years the Code has adopted International Financial Reporting Standards (interpreted where appropriate for the public sector) as the basis for local authority accounts. This requires that the Statement of Accounts gives a true and fair view of the Council's financial performance during the year and of its financial position at the end of the year. The unaudited Statement of Accounts must be published on the Council's website no later than 30 June having first been authorised for issue by the Council's responsible financial officer
- Once the unaudited Statement of Accounts have been published they are open to inspection by local electors who may inspect the accounting records and supporting documents and exercise their legal rights to ask questions of the external auditor or raise a formal objection if they believe an item of account to be unlawful. The accounts are also subject to audit
- On conclusion of the audit, the external auditor presents the outcomes of the audit to those charged with governance which in the case of this Council is the Audit Committee. The Audit Committee will be asked to consider the audit findings prior to giving formal approval for the financial statements to be signed and published as final. This is the version of the accounts on which the external auditors express their opinion. The final audited Statement of Accounts must be published on the Council's website no later than 30 September

The Council satisfied the first of these requirements in publishing its unaudited Statement of Accounts on the Council's website on 29 June 2015.

The accounts are currently on deposit for inspection until 24 July 2015. Thereafter, from 27 July 2015 until the conclusion of the audit, local electors may exercise their inspection rights to ask the external auditor any questions about the accounts they may have.

The audit of the Statement of Accounts is nearing its completion. KPMG will report findings from their audit to Audit Committee at its September meeting so that Members can take them into consideration before being asked to formally approve the accounts.

Members will note that there is no formal requirement for them to consider or approve the unaudited Statement of Accounts published in June. However, Audit Committee resolved previously that it would like an opportunity to consider them in advance of the meeting in September where formal approval is to be given.

## Preparation of the Statement of Accounts

Preparations for producing the Statement of Accounts commence early in the financial year with an evaluation of the changes to accounting standards and presentation adopted by the Code which affect the current year's accounts.

Complex accounting issues are identified as they emerge and the proposed treatment discussed and agreed with the external auditor as far as possible in advance of the year end.

Early work is undertaken in year where possible in advance of the year end to support earlier closure of the accounts.

The recent changes made to the coding structure of the Chart of the Accounts, greater use made of standard templates to collect information required for the Statement of Accounts, semi-automation of the production of figures for the accounts directly from the ledger, and systems development such as the introduction of commitment accounting, have all contributed to a more efficient year end..

These have all played a part in enabling the process for producing the accounts to become more streamlined.

This is vitally important, as revised Accounts and Audit Regulations issued in 2015 introduced a new requirement for the accounts to be closed down faster. With effect from 2017/18 the unaudited Statement of Accounts will need to be published by the end of May (a month earlier than at present) and the audited Statement of Accounts by the 31 July (two months earlier than at present)

## Key issues to be aware of in the 2014/15 Statement of Accounts

Audit Committee received a report on 11 March 2015 of the key accounting issues and changes to the accounting framework relevant to 2014/15, the principal of these being:

- A change to the Council's accounting policy relating to the charges made to revenue for the repayment of debt known as the Minimum Revenue Provision or MRP
- Reviewing the treatment of PFI Lifecycle replacement costs
- Potential liabilities relating to Child Sexual Exploitation claims
- Impact of changes to group accounts accounting standards on the way in which schools are accounted for in the Council's Statement of Accounts

The highlights report attached as Appendix 1 summarises for members the key disclosures contained in the 2014/15 Statement of Accounts relating to these and other matters.

The 2014/15 unaudited Statement of Accounts are attached at Appendix 2.

There is a recognition that local authority accounts have become very difficult to interpret, not least because the way in which local government is financed on a statutory basis differs in many respects from the way in which financial information is presented in the Statement of Accounts on an accounting basis under International Financial Reporting Standards.

In response, the Accounts and Audit Regulations 2015 have introduced a new requirement from 2015/16 for a narrative statement on an authority's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year to be prepared and published on its website. CIPFA are also about to embark on a consultation to streamline the accounts and to make them easier to relate to the way in which a Council is funded and organised. It is hoped that this will widen accountability and accessibility to ordinary users of the accounts.

## **8. Finance**

There are no financial implications, other than the external auditor reserves the right to consider the level of audit fee should new risks emerge during the course of the audit.

## **9. Risks and Uncertainties**

The unaudited Statement of Accounts are subject to external audit which may result in the need for matters arising from the audit to be reported to the Audit Committee. Any such matters will be reported in the external auditor's ISA 260 report which will be presented to Audit Committee at its meeting in September 2015.

## **10. Policy and Performance Agenda Implications**

None, other than reputational risk.

## **11. Background Papers and Consultation**

2014/15 unaudited Statement of Accounts  
Code of Practice on Local Authority Accounting in the UK 2014/15  
Accounts and Audit Regulations 2011  
Accounts and Audit Regulations 2015  
Audit Committee – 11 March 2015

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