

FINAL ACCOUNTS PROCESS 2014/15

Advising Officers:

Charles Warboys, Chief Finance Officer (charles.warboys@centralbedfordshire.gov.uk)

Nisar Visram, Financial Controller (nisar.visram@centralbedfordshire.gov.uk)

Purpose of this report

The report summarises key changes in the Statement of Accounts for 2014/15 and internal procedures for producing the Statement of Accounts.

RECOMMENDATIONS

The Committee is asked to:

1. Consider the key changes in the account statements and processes.
2. Approve an interactive presentation of the unaudited accounts to Audit Committee and other Members in June 2015.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. The Accounts and Audit Regulations 2011 require the Chief Finance Officer of the Local Authority to prepare and sign a set of unaudited accounts by 30 June each year. Audited accounting statements are required to be re-certified by the Chief Finance Officer, signed by the Chair of the Audit Committee and published by 30 September each year.
3. In addition to the requirements of the 2011 Regulations, the Council has held an accounts presentation in June for the last two years, open to all Members, to enhance scrutiny and present key figures from the technical accounts in a useful and meaningful manner.

4. Under the same 2011 regulations, the accounts are required to present a 'true and fair' view of the financial position of the Council and comply with 'proper accounting practices'. The Local Government Act 2003 specifies the CIPFA Code as representing proper accounting practices for this purpose. The CIPFA Code is issued annually in November.
5. CIPFA issue a Local Authority Accounting Panel (LAAP) bulletin at the end of the financial year to address any specific issues arising from the CIPFA Code of Practice. These bulletins have the same status as the CIPFA Code in forming the statutory basis of the Council's accounts. LAAP bulletins may also be issued during the year to provide general guidance on topical issues.
6. CIPFA may also issue mid-year updates to the Code of Practice on an exceptional basis. No such update has been issued for the 2014/15 financial year.

CIPFA Code of Practice 2014/15

Accounting for Schools

7. The most significant change in the 2014/15 CIPFA Code relates to accounting for schools. The Code confirms that *'the balance of control lies with local authorities for all maintained schools'*. In practice this means that the income, expenditure, assets and liabilities for all Community, Foundation and Voluntary Controlled/Aided schools are required to be consolidated within the Council's accounts. Academies are excluded.
8. The Council has in the past only included Land and Buildings of Community Schools within its accounting records, following guidance from an initial CIPFA exposure draft in 2011/12. With updated guidance now included in the 2014/15 CIPFA Code, the Council's valuations team have been assessing school buildings to derive values and bring these assets on to Council books this financial year. It is expected this will have a significant impact on the value of assets held on the Council's balance sheet.

Group Accounts

9. The CIPFA Code includes extensive revisions Group Accounting, reflecting five new/amended accounting standards issued by the International Accounting Standards Board (IASB). These are *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2011) and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)*.
10. Details of changes in the standards were outlined in Note 2 of the 2013/14 Statement of Accounts, which also confirmed that the changes do not impact the Council as the Council has no material arrangements which come into these categories.

Miscellaneous changes

11. The CIPFA Code includes various miscellaneous presentational adjustments which will be incorporated into the 2014/15 Statement of Accounts. In particular, a new section in the CIPFA Code discusses how best to 'tell the story' of the accounts and includes an article from CIPFA's Public Finance magazine entitled 'Clearing out the Clutter'. Although the format of the accounts is determined by the CIPFA Code, the accounts will be reviewed considering this section.
12. The key message within this section is for materiality to be considered when making disclosures to the accounts, both considering the materiality of amounts in relation to the size of the organisation and the relevance of information being disclosed to the reader.
13. 'Telling the story' includes details on how to link accounts information to information provided in budget reports and explaining what key aspects of the accounts mean. The information within this section is usually covered as part of the accounts presentation to Audit Committee in June.
14. The Code incorporates in year bulletins released by the Local Authority Accounting Panel (LAAP):
 - *LAAP 99: Reserves and Balances*
 - *LAAP 100: Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17*
 - *LAAP 86 (Update): Componentisation of Property, Plant and Equipment*

Local Audit and Accountability Act 2014

15. The Local Audit and Accountability Act gained Royal Assent in 2014 to set in motion the abolition of the Audit Commission by 31 March 2015. Although details are awaited to clarify the new Regulations it is anticipated that Local Authorities will be able to appoint their own auditors after the 2016/17 financial year.
16. Section 32 of the Act contains updates to the Accounts and Audit Regulations 2011, and under these updates the Secretary of State has consulted on changing the deadlines for publication of the Council's Statement of Accounts. Proposals are for the Chief Finance Officer to sign the draft accounts by 31st May (currently 30 June) and for the Audited accounts to be approved by Audit Committee by 31 July (currently 30 September). Consultation on the changes closed on 18 July 2014 and although there has as yet been no further clarification on this subject, if the changes go ahead it is anticipated they will be implemented from the 2017/18 financial year.

Accounts Process

17. The Accounts and Audit Regulations 2011 require the Chief Finance Officer to certify the unaudited Statement of Accounts by 30 June each year.

18. For the last two years there has been a presentation of the key figures in the accounting statements to this Committee with all other Council Members invited, the purpose being to enhance the scrutiny and discussion of the statements in a clear and useful manner. The presentation was made by the Chief Finance Officer, the Head of Financial Control and the Financial Controller and included a question and answer session.
19. Conducting a presentation instead of submitting the accounts as an Audit Committee report enabled significantly more time for Finance staff to concentrate on quality assurance work in June. Making the most of the time available for quality assurance activities helped to minimise the work of the Finance team and the external auditors in the period July to September.
20. Positive feedback was received following the presentation, which engaged Members and enabled a focus on the key points within the accounts. It is therefore proposed to present the 2014/15 statements in a similar manner at the Audit Committee meeting in June 2015 with an open invitation to all Council members.

Council Priorities

21. Not Applicable

Corporate Implications

Legal Implications

22. The production of an annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2011. The accounts are to be prepared in line with 'proper accounting practice' and the Local Government Act 2003 section 21(2) specifies the CIPFA Code of Practice as representing proper accounting practice for this purpose.
23. The accounts are based on International Financial Reporting Standards (IFRS) as defined by the CIPFA Code of Practice and the authority must incorporate any changes to the CIPFA Code in preparing the financial statements.

Financial Implications

24. The preparation of the annual financial statements is a core responsibility of the Council's finance team and involves the support of many other services. The Finance team seek to continuously improve the processes that support the preparation of the statements as well as implement any changes in reporting requirements within the Council's overall approved revenue budget.

Equalities Implications

25. There are no equalities implications.

Appendices

None

Background Papers:

None