

## Central Bedfordshire Council

**AUDIT COMMITTEE**

28 September 2015

---

### **2014/15 STATEMENT OF ACCOUNTS**

Advising Officers: Charles Warboys, Chief Finance Officer  
([Charles.Warboys@centralbedfordshire.gov.uk](mailto:Charles.Warboys@centralbedfordshire.gov.uk))

Contact Officer: Ralph Gould, Head of Financial Control  
([Ralph.Gould@centralbedfordshire.gov.uk](mailto:Ralph.Gould@centralbedfordshire.gov.uk))

---

#### **Purpose of this report**

1. The report presents the 2014/15 Statement of Accounts for Central Bedfordshire Council. The annual accounts document is attached at Appendix A to the report.

#### **RECOMMENDATIONS**

Having considered the Audit Results Report from EY (agenda item 8) the Committee is asked to:

1. approve the 2014/15 Statement of Accounts as presented;
2. approve the inclusion of the Annual Governance Statement for 2014/15, previously approved at the June 29 2015 meeting of this Committee, with the published 2014/15 Statement of Accounts and
3. approve the 2014/15 Letter of Representation at Appendix B.

#### **Overview and Scrutiny Comments/Recommendations**

2. 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**

3. The annual accounts must be published with the audit opinion and certificate no later than 30 September following the end of the financial year. In advance of this the accounts must have been approved by Members. Approval of the accounts is therefore required at the September 2015 Audit Committee. The full set of annual accounts is attached at Appendix A.

4. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve the draft letter of representation to Ernst & Young LLP attached at Appendix B.

### **Statement of Accounts 2014/15**

5. The Chief Finance Officer, as required by the Accounts and Audit Regulations, certified the 2014/15 draft annual accounts on 29 June 2015. A presentation explaining key figures within the accounts was made to the Audit Committee at its June meeting. Public Inspection of the accounts was also advertised and this concluded on 31 July 2015, with no issues arising.
6. The Statement of Accounts 2014/15 has been subject to external audit examination by Ernst & Young LLP during the period July to September 2015. The Ernst & Young LLP's Audit Results Report (EY ARR) is at item 8 on this agenda.
7. The Audit Results report outlines any non-trivial adjustments to the original draft version of the accounts (those above £0.5m). At the time of writing this report eight such adjustments have been identified of which six have been corrected as indicated in Appendix B to the Audit Results Report elsewhere on this agenda. It is recommended that the two identified misstatements for the Collection Fund (Appendix A of the Audit Results Report) are not corrected in the 2014/15 Statements. This will allow further work by Finance to confirm the position. The work will be completed promptly in time to inform the Collection Fund forecast that will be used for the 2016/17 budget reports.
8. In anticipation of a reduction in the time allowed to both complete and audit the Statement of Accounts from 2016/17, the 2014/15 Statement was compiled more quickly than usual. This change has been invaluable in identifying improvements and process changes to apply to the process for the 2015/16 Statements.
9. At the time of writing the external audit process for 2014/15 is still ongoing and there are no issues identified that would prevent an unqualified audit opinion being issued. Work also continues in respect of the Whole of Government Accounts return for 2014/15 and it is planned to have the audit of this aspect completed by the end of September.

### **Significant Changes to the Statements – Corrected**

10. Following the audit process there have been a number of changes to the Statements, that were certified by the Chief Finance Officer in June. The overall impact on the General Fund has been to reduce the original in year surplus from £204k to £66k and this is largely due to an

increase of £229k in the NDR levy paid to central government arising from the improvement in the Collection Fund as result of the reduction in the provision for appeals. The revised closing position on the General Fund balance is £15.167m compared to £15.303m in the draft Statement of Accounts.

11. Out of the six corrected misstatements outlined in the EY ARR two of the items relate to various balances of capital grants and contributions that had not previously been applied to finance capital expenditure. The balances amounted to £4.249m and comprised receipts in advance £2.769m and an unapplied capital grants reserve £1.480m. The application of both items has the effect of reducing the Council's overall Capital Financing (Borrowing Requirement) by £4.249m.
12. A correcting transfer (item 3 Appendix B of EY ARR agenda item 8) has been made between two unusable reserves specifically the Revaluation Reserve and the Capital Adjustment Account of £3.457m. The corrections are in respect of assets transferred or disposed of in previous years. There is has no impact on the Council's General Fund.
13. There are a number of changes made in the Collection Fund statements that have varying effects on balances. The EY ARR (Appendix B item 2) outlines the impact to CBC of a reduction in the provision for appeals against NDR valuations. Following changes to the national rules on back dating of appeals the audit process identified an over provision of £1.4m. The impact on the Council's share of the NDR Collection Fund deficit is a reduction of £0.7m.
14. Because of the number of changes, in particular to the NDR reporting requirements, during the audit process two CIPFA models for NDR and Council Tax were used to validate the Council's 2014/15 accounting entries. In respect of both NDR and Council Tax the models helped identify the need for a number of accounting adjustments to be made. Combined with the reduction in the NDR appeals provision the overall impact of the changes has been to improve the Council's position in respect of the Collection Fund deficit/surplus from an overall deficit previously reported of £138k to a surplus of £0.956m, an improvement of £1.094m. This change reflects mainly the reduction in NDR appeals provision of £0.7m and recognition of the growth in NDR income for renewable energy schemes of £0.3m which is to the benefit of the Council.
15. Appendix B of the EY ARR, identifies corrections made in respect of the presentation of the Collection Fund statements and an offsetting classification error between staffing and other costs in respect of Note 28 to the accounts. There is no impact of these changes on the Council's financial position.

## **Significant Changes to the Statements – Not Corrected**

16. Appendix A of the EY ARR identifies two Collection Fund related items that it is not recommended should be changed at this time. The Collection Fund is not a separate corporate entity and the balances comprising it are held in the Council's Balance Sheet to separately reflect the Council's NDR interest (49% NDR and approximately 85% Council Tax) along with net balances for Council Tax preceptors and the NDR interest for Central Government (50%) and the Fire Authority (1%). The detailed taxpayer accounts for NDR and Council Tax are maintained and administered on a system separate to the Council's main accounting system. Summary balances in respect of Collection Fund arrears and prepayments are amended annually by accounting journal in the Council's accounts as part of the Statement of Accounts process.
17. The audit process has identified that the arrears in respect of Council Tax and enforcement costs may be understated in the Council's accounting ledger. The impact if the accounts were adjusted by the amounts initially identified would be to increase the surplus on the Collection Fund by £1.7m (the Council's share being £1.5m) and General Fund balances in respect of enforcement costs by £0.6m (£0.8m net of an impairment allowance of £0.2m).
18. Whilst it would be possible to correct the misstatements within the accounts with no detriment to the Council's financial position, it is considered prudent to take some time in the current financial year to fully identify the cause of the differences and further validate the values concerned. For this reason it is recommended not to correct this item in the 2014/15 Statement of Accounts and the Letter of Representation to EY at Appendix B has been drafted to that effect. The work will be completed promptly in time to inform the Collection Fund forecast for 2016/17 budget setting.

## **Letter of Representation**

19. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve a draft letter of representation to Ernst & Young, attached at Appendix B.

## **Reasons for decision**

20. As required by the Accounts and Audit Regulations the annual accounts must be published with the audit opinion no later than 30 September. In advance of this the accounts must have been approved by Members. Approval of the accounts is required at the 28<sup>th</sup> September 2015 Audit Committee meeting.

## **Council Priorities**

21. The effective management of the Council's financial resources and the associated risks supports the delivery of the Council's priorities.

## **Corporate Implications**

### **Legal Implications**

22. The Accounts and Audit Regulations 2011 require the Council to approve and publish annual accounts by 30 September following the end of the financial year.

### **Financial Implications**

23. The annual accounts report the financial position of the authority at the end of the financial year and are prepared under the International Financial Reporting Standards, as interpreted by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

### **Equalities Implications**

24. There are no equalities implications to this report.

## **Conclusion and next Steps**

25. Following approval, in accordance with the Accounts and Audit Regulations 2011, the Statement of Accounts 2014/15 and the public notice of the conclusion of the audit of accounts by Ernst & Young will both be published.

## **Appendices**

The following Appendices are attached:

Appendix A – 2014/15 Statement of Accounts

Appendix B – 2014/15 Letter of Representation

## **Background Papers**

None