

STATEMENT OF ACCOUNTS 2012/13 – OUTCOME OF EXTERNAL AUDIT

Audit Committee – 10 September 2013

Report of Chief Officer – Finance

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the external audit findings of the 2012/13 accounts

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsey

Contact Officer(s) Helen Martin Ext.7483

Recommendation to Audit Committee: It be RESOLVED that the Statement of Accounts 2012/13 be approved

Introduction and Background

- 1 A draft statement of accounts was reviewed by a working group from the Audit Committee on 15 July 2013.
- 2 The external audit of the accounts began on 15 July and the Audit Findings Report in Appendix A sets out the findings and the changes to the accounts agreed as part of the process. The report also sets out the auditor's Value for Money (VfM) conclusion for 2012/13.
- 3 The external auditor, Andy Mack from Grant Thornton, will attend the meeting to discuss their report on the 2012/13 audit. The accounts are required to be signed off by the end of September.
- 4 The Audited Statement of Accounts 2012/13 is attached as Appendix B.
- 5 The format of the statement remains the same as 2011/12 and has been compiled in line with International Financial Reporting Standards (IFRS).

Review by Working Group

- 6 At the meeting of the working group on 15 August, the Head of Finance explained the most important items in the statement and provided answers to detailed questions raised by Members.

- 7 Following the working group, the Foreword has been amended to include details of the Councils property assets, and the layout of comparison between budget and outturn has been amended to reflect a commercial account layout. An additional note has been included within the foreword explaining the net assets position if the pension liability figure of £52million had been excluded.
- 8 In response to Member requests, presentational changes were made to highlight the figures for 2012/13, and to facilitate comparison of information between years.

Commentary on the Auditor's Report

Accounting Policies, estimates and judgements

- 9 There are comments against two accounting areas:
 - a. Revenue recognition – in the draft statement we had treated the Disabled Facilities grant from central government as Taxation and Non-specific grant income (as previous years). Following interpretation from Grant Thornton this income is now treated as service income. (Grant Note No. 29 refers)
 - b. Judgements and Estimates - Valuations - We have properties in Swanley that are let at peppercorn rents for charitable purposes and we have included them in our operational assets. The appropriate valuation for operational assets should have been existing use value rather than market value. The initial valuations from our valuers used market values, however following external auditor observations on this point, the valuers have confirmed that the valuation would be the same under both methods and have provided revised valuations on existing use basis.

Audit Findings

- 10 Grant Thornton have stated that the accounts give a true and fair view of the Council's financial position, and have been properly prepared in accordance with the Code of Practice.
- 11 The changes made to the statement of accounts following the audit are explained below:
 - a. Sevenoaks Environmental Park was erroneously included as a Community Asset at the end of March with a 'carrying value' of £171,000. The lease of this park expired in September and was not renewed. The balance sheet has been adjusted. This adjustment did not impact on the amount transferred to the earmarked reserves.
 - b. The service analysis within the Comprehensive Income and Expenditure statement had merged the costs of 'Central Services to the public' and 'Corporate and Democratic core' which did not meet the disclosure requirements; the expenditure and income lines have now been disaggregated.

- c. Grant Income - this relates to the accounting treatment of grant income received from central government and used to fund projects such as Disabled Facilities. In previous years we have treated this as non-specific grant income, however Grant Thornton have advised that this should be treated as service income. (Grant note 29 refers)
- d. Housing Benefit Subsidy – Grant note 29 now discloses the housing benefit subsidy (£34.2m in 2012/13) as a grant item.

Value for Money

- 12 Grant Thornton have issued an unqualified conclusion to our arrangements for Value for Money. They examined our arrangements for securing economy, efficiency and effectiveness in our use of resources and confirm that we have proper arrangements in place. The ‘traffic light’ indicators for value for money indicators for value for money are all assessed as green.
- 13 They have noted that our key financial indicators are demonstrating strong performance and a healthy financial position.
- 14 The Council’s track record of good financial performance is considered indicative of robust financial planning arrangements. The 10-year financial plan is considered to reflect best practice, and they observe that we have a strong track record on delivering budgets and savings plans.
- 15 The high level review undertaken by Grant Thornton examined Council meeting minutes and found these demonstrated a good level of member challenge and engagement, and that the establishment of this Committee has strengthened the governance arrangements.

Summary

- 16 We would like to express our thanks to Grant Thornton for their efforts in completing the required audit work in time for reporting to this Committee. The Finance Team will be working with Grant Thornton to review the 12/13 Account process to identify any improvements that can be made for future years.

Key Implications

Financial

There are no financial implications

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972 the section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	The recommendation is concerned with sound control of the Councils finances and does not directly impact on services provided to the community
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		No mitigating steps are required

Conclusions

Members will note that there are no material issues to be brought to the attention of the Committee and that the external auditor expects to issue an unqualified opinion on the financial statements and value for money conclusion.

Appendices

Appendix A – Audit Findings 2012/13

Appendix B – Audited Statement of Accounts
2012/13

Adrian Rowbotham
Chief Officer Finance