

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit & Risk Committee **DATE:** 13<sup>th</sup> March 2014

**CONTACT OFFICER:** Barry Stratfull, Corporate Financial Controller; Deputy s151 Officer

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**WARD(S):** All

### **PART I** **FOR DECISION**

#### **2013-14 Financial Statements**

##### **1 Purpose of Report**

To provide members of the Audit & Risk Committee with an overview of the closedown process for the 2013-14 financial year, and to provide members with an update on the external auditor's recommendations from the 2012-13 financial year's audit.

To assist in the closedown of the financial statements, the Council is requesting to members to approve the accounting policies and the prior year comparators to the 2013/14 financial statements. Best practice requires council's to regularly review the accounting policies adopted to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods.

##### **2 Recommendation**

That Members comment on and approve the Statement of Accounting Policies for the 2013/14 financial year, and the 2013-14 priori year comparator financial statements.

##### **3 The Sustainable Community Strategy, the JSNA and the Corporate Plan**

###### **3.1 Sustainable Community Strategy Priorities**

The report indirectly supports all of the Community Strategy priorities and cross cutting themes. The maintenance of good governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieve through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

###### **3.2 Corporate Plan 2014/15**

The report helps achieve the Corporate Plan objectives by detailing how the Council and Audit Committee can deliver good governance in Local Government.

## 4 Other Implications

### 4.1 Financial

*The Financial implications are contained with this report.*

### 4.2 Risk Management

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	None	None
Equalities Issues	None	None
Community Support	None	none
Communications	None	none
Community Safety	None	None
Financial; Detailed in the report and above	As identified	None
Timetable for delivery;	Detailed in timescales in appendix C	Opportunity to deliver the financial statements for review before the statutory deadline
Project Capacity	None	None
Other	None	None

#### 4.2.1 Human Rights Act and Other Legal Implications

None identified

#### 4.2.2 Equalities Impact Assessment)

No identified need for the completion of an EIA.

## **Executive Report**

### **5 Introduction and Background**

5.1 The Council has been completing a fundamental review of how it produces its financial statements for the 2013-14 financial year.

5.2 External Audit reports over a number of years have highlighted that the accounts have been prepared late, with inadequate working papers, and this has led to a delay in the external auditor's opinion being issued in two of the past three financial years. The response in 2013-14 has been, with a new team overseeing the production of the financial statements, to review and revise the procedures in place to produce the financial statements. This has also been

informed through the learning points as a result of BDO's first year of external audit at the Council on the 2012-13 external audit.

- 5.3 This report includes the accounting policies that will form part of the 2013/14 statement of accounts. The full policies are shown in Appendix A. Members of the Audit committee are invited to make comment on these policies and approve them for inclusion in the draft statements.
- 5.4 Unless there are major changes to accounting rules and regulation, accounting policies do not change significantly between the years.
- 5.5 The draft statement of accounts for 2013/14 will be presented to the section 151 officer for approval. The accounting policies in appendix A will be included within the draft financial statements.

## **6 Preparations for the closure of the 2013-14 financial statements**

- 6.1 The Council has put in place a number of actions to prepare for the closure of the 2013-14 financial statements. This is supported by a 'PID', and this and the high level summary are included within appendix B.
- 6.2 The finance section in the Council is committed to improving the processes and arrangements for producing the financial statements in 2013-14. This will provide greater assurance to members of the Risk & Audit Committee concerning the financial stewardship and accountability of the Council's financial affairs.
- 6.3 The Council has also been implementing the actions contained within the BDO's audit report to the audit & Risk Committee in October 2013, and this update has been included within appendix D.

## **7 Accounting Policies**

- 7.1 The Statement of Recommended Practice for Local Authority Accounting defines accounting policies as "the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves".
- 7.2 The application of accounting policies supports the implementation of the main accounting concepts of best practice. These ensure financial reports;
- are relevant - providing appropriate information on the stewardship of authority monies.
  - are reliable - financial information can be relied upon and without bias, error, within the bounds of materiality and has been prudently prepared.
  - allow comparability - the interpretation of financial reports is enhanced by being able to compare information across other accounting periods and other organisations.
  - are understandable - though financial reports have to contain certain information, they have to be understandable.

- Reflect material information - significant transactions must be incorporated in the financial reports.
- Prepared on a going concern basis (the assumption that the authority will continue in operational existence for the foreseeable future)
- Prepared on an accruals basis (accounts are prepared to reflect the benefit of goods and services received and provided rather than when cash transactions occur when invoices are paid in a later accounting period).

## 8 Contents of Accounting Policies

8.1 The appendix contains all of the Council's accounting policies. The more significant policies cover the treatment of the following:

8.2 **Fixed Assets** - the basis for valuing major long-term assets, such as council dwellings and offices is explained.

8.3 **Depreciation** - depreciation is charged to spread the value of an asset over its useful life. For example vehicles are depreciated over five years.

8.4 **Provisions and Reserves** - a provision is created because the Council will have to make a future payment to settle a financial obligation and a reasonable estimate can be made of the amount payable. A reserve is created for specific or general future purposes, for example the Housing Revenue Account (HRA) reserve is to be used for future HRA expenditure purposes.

8.5 **Accruals of Income and Expenditure** - The Council raise these to comply with the accruals concept of accounting to measure when payments or receipts are due rather than where cash is transferred to settle the amount due.

## 9 Changes in accounting policies for 2013/14

9.1 The Code of practice for 2013/14 sets out the additional disclosures that will be required in the 2013/14 financial statements in respect of accounting changes that are to be introduced. The Council must follow the requirements of International Accounting Standard 8 when selecting or changing accounting policies, adopting the accounting treatment and disclosing changes in accounting policies, estimation techniques and correcting errors.

9.2 There is a requirement to disclose expected impact of new standards. They will only result in a change in accounting policy if they are required by the code and will result in the financial statements providing reliable and more relevant information.

9.3 It is for the Council to decide which accounting policies are most appropriate to its particular circumstances. Best practice requires council's to regularly review the accounting policies adopted to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods.

9.4 There are no significant amendments proposed in the draft code of practice on local authority in the United Kingdom 2013/14. The proposed accounting policies for 2013/14 are similar to those of 2012/13 and are reflected in Appendix A.

## **10 External Audit Consultation**

- 10.1 The Council's external auditors (BDO) will examine the accounting policies as part of their audit review. They will liaise with accountancy staff on any proposed changes to accounting regulations and where these impact on accounting policies. By approving these accounting policies it enables the external auditors to complete some of their audit work before the Council compiles the financial statements for 2013-14. Any changes will form part of the statement of accounts that will be presented to the September audit committee.

### Appendices Attached

- 'A' - Accounting policies 2013/14
- 'B' - Closedown project update
- 'C' - n/a - purposefully left blank
- 'D' - Updated External audit action plan

### Background Papers

CIPFA – Code of Practice on Local Authority Accounting