

**To the Chair and Members of the  
AUDIT COMMITTEE**

**STATEMENT OF ACCOUNTS 2013/14**

**EXECUTIVE SUMMARY**

1. This report presents the unaudited Statement of Accounts for the 2013/14 financial year.
2. The Accounts and Audit (England) Regulations 2011 apply to the preparation, approval and audit of the Statements of Accounts and other financial statements. There is no longer a requirement to present the draft accounts to Members before the external audit process commences. This is primarily to allow the Council's officers additional time to prepare the accounts under the more complex and time consuming International Financial Reporting Standards ('IFRS') and to place public bodies on a similar reporting footing with the private sector.
3. There is a requirement, however, to obtain certification of the accounts by the responsible financial officer, who in our case is the Director of Finance and Corporate Services, by the 30<sup>th</sup> June each year. The statutory deadline for the date of approval and publication of the final Statement of Accounts remains unchanged at 30<sup>th</sup> September.
4. It is good practice to continue to present the draft Statement of Accounts to Members at this stage as it gives Members early notification of the financial outcome of the previous financial year. It also gives Members the opportunity to ask questions and seek clarification of issues prior to the completion of the external audit.

**EXEMPT REPORT**

5. Not applicable

**RECOMMENDATION**

6. Members are requested to note the 2013/14 Statement of Accounts.

**BACKGROUND**

7. The Council's 2013/14 accounts have been prepared in accordance with IFRS accounting standards and the appropriate accounting codes of practice and have been approved by the Council's responsible financial officer on the 30<sup>th</sup> June in order to comply with the Accounts and Audit (England) Regulations 2011

8. The accounts will be put 'on deposit' for public scrutiny for a 4 week period from 22<sup>nd</sup> July to 18<sup>th</sup> August 2014. The unaudited accounts were placed on the Council's website on 1<sup>st</sup> July in line with the Government's policy of increased transparency in the public sector with public scrutiny of the accounts being a key feature of the financial governance framework of local authorities.
9. The accounts are scheduled to be subject to external audit during the period 28<sup>th</sup> July to 5<sup>th</sup> September, and it is expected that the audit opinion will be finalised by 23<sup>rd</sup> September, a week earlier than the 2012/13 accounts.
10. The legislative requirements stemming from Accounts and Audit (England) Regulations 2011 have had the impact of significantly reducing the timeframe allowed for the accounts closure process in recent years. Despite this, the significant reductions in staffing, the implementation of a new ERP system and the increasing complexity brought about by IFRS, all such requirements were met in full and in overall terms, the Council considers that the overall quality of working papers and files for audit have improved. The technical accounting team have, once again, maintained an excellent working relationship with KPMG throughout the year to minimise the risk of any material issues arising during the preparation of the accounts.
11. It should be noted that a current DCLG consultation on local audit includes proposals for an even earlier preparation and publication of the Statement of Accounts with the audit deadline proposed to move to 31<sup>st</sup> July over the next four years (with unaudited accounts to be produced by 31<sup>st</sup> May). Detailed plans will be progressed by the technical accounting team to ensure that the Council meets these proposed dates by 2017/18.
12. Capitalising on the good practice now established in closing the accounts, the style and format of the accounts used for 2013/14 is similar to that used last year, with a number of items removed or revised as part of the 'removing the clutter' drive reducing the size of the accounts by 20%.
13. An interim audit has already been progressed during March and April, the results of which are detailed in a separate report to this Committee meeting.
14. The Council has an excellent track record in receiving an unqualified audit opinion on its accounts. A report will be presented by KPMG to this Committee on 23<sup>rd</sup> September setting out the result of the external audit in the form of their ISA 260 Report which formally sets out the findings of their audit of the financial statements (formerly the Annual Governance Report).
15. Members of this Committee have a key role in scrutinising the accounts in order to maintain strong governance over financial reporting. Whilst explanations of the accounts are contained in the explanatory foreword to the financial statements, it is worthwhile highlighting some specific points for the year. These are provided in paragraphs 16 to 22 below. It should be noted that the accounts are prepared in a specific accounting format, which is set out in legislation, and as a result, they are not the most understandable of documents. The intent of the whole suite of financial statements is to give clear information about the Council's finances and, in particular, the overall

financial position of the Council as a single entity and the position of the 'Group' (see paragraph 22 below); the cost of services provided by the Council and how these have been financed; any surpluses or deficits made by the Council; and the value of the Council's assets, liabilities and reserves at the year end.

16. At their meeting on 18<sup>th</sup> June 2014, Cabinet were presented with the final outturn positions for both revenue and capital for the 2013/14 financial year which included the following key points;
  - General Fund reserves strengthening by £5.5m to £11.7m;
  - A General Fund under spend against budget of £5.8m;
  - Housing Revenue Account surplus of £1.4m;
  - Capital spend of £80.6m; and
  - Delivery of £26.0m of savings.
17. The draft Statement of Accounts for 2013/14 has been prepared to comply with the 2013/14 Code of Practice on Local Authority Accounting (the 'Code') and the Service Reporting Code of Practice ('SeRCOP') and are compliant with both IFRS and the legal requirement for local authorities.
18. For Members, probably the most important issue will be whether the authority has a surplus or deficit compared to its budget for the year. The Movement in Reserves Statement gives this information with the information being provided for both the General Fund and the Housing Revenue Account (HRA).
19. The Council's net worth has increased by £115.1m to £596.0m since the previous financial statements. This is principally due to the improving position on the Council's net pension deficit, a reduction in the deficit in 2013/14 of £99.6m. It should be noted that we also include an estimate for our share of the SLHD net pension deficit for staff who transferred to SLHD on 1<sup>st</sup> October 2005.
20. The deficit of £6.0m shown in the Comprehensive Income and Expenditure Statement (CIES), as in 2012/13, is an indication that the costs of providing the year's services have not been covered by income. This is split between General Fund services (£3.4m) and the HRA (£2.6m). This represents the position that would have been reported under commercial accounting rules. The statutory adjustments between the accounting basis and funding basis are those required to convert the Council's financial performance under commercial accounting rules to the amount to be met by council tax payers and rent payers under the local authority accounting framework. The CIES now includes a new mandatory line for Public Health following the transfer of public health staff and services from Doncaster Primary Care Trust to the Council on 1<sup>st</sup> April 2013.
21. Reserves are an indication of the resources available to an authority to deliver services. Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves are those which Members will be involved in deciding the levels maintained and their use. Unusable reserves are determined by technical accounting rules and not available for use by the Council.

22. The Statement of Accounts also includes group account statements for the Council, its subsidiary companies (St Leger Homes of Doncaster Limited ('SLHD') and Doncaster Children's Services Trust Limited ('DCSTL') – new for 2013/14) and its jointly controlled entities (Digital Region Limited ('DRL') and Doncaster Racecourse Management Company Limited ('DRMCL')). The Council's share of the group's reserves are a negative £7.0m (negative £14.5m in 2012/13). It should be noted the DfE are paying directly for any costs incurred during the initial implementation of DCSTL so there are no transactions affecting the Council's group position in this financial year.

## OPTIONS CONSIDERED

23. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2013/14. The Council has a statutory obligation to submit its draft 2013/14 Statement of Accounts to the External Auditor by 30<sup>th</sup> June 2014. Failure to do so could result in an audit qualification and consequential reputational damage. This requirement was duly met.

## IMPACT ON THE COUNCIL'S KEY OBJECTIVES

24. These are detailed in the table below:-

Doncaster Priorities	Implications of this initiative
A Prosperous Place	All the priorities of the Council are addressed as part of the budget setting process and the Statement of Accounts is an outcome of that process.
Skills & Lifelong Learning	
Healthy & Caring	
Safer, Cleaner & Greener	
Equality of Opportunity (Cross-Cutting)	
Improving Neighbourhoods Together (Cross-cutting)	
Protecting The Environment (Cross-cutting)	

## RISK AND ASSUMPTIONS

25. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them.

Risks/Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	<ul style="list-style-type: none"> <li>Work has been undertaken during monitoring and closedown process to process all transactions, and prepare for audit. This has included increases in senior officer quality control and checks.</li> </ul>

The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	<ul style="list-style-type: none"> <li>• Continuous dialogue with KPMG throughout the year</li> <li>• Specific discussions on key complex areas as part of the regular liaison group meetings</li> </ul>
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## LEGAL IMPLICATIONS

26. Section 27 of the Audit Commission Act 1998 specifies that the Secretary of State may, by regulations applying to bodies subject to audit other than health service bodies, make provision with respect to the form, preparation and certification of accounts and of statements of accounts.
27. The Accounts and Audit (England) Regulations 2011 under regulation 8(2) provides that the Council's responsible financial officer must certify the Statement of Accounts, as soon as is reasonably practicable and, in any event, before 30<sup>th</sup> June immediately following the end of a year.

## FINANCIAL IMPLICATIONS

28. The Council's Accounts are prepared in line with the Accounts and Audit (England) Regulations 2011 and International Financial Reporting Standards.

## CONSULTATION

29. This report has significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

## CONCLUSIONS

30. The unaudited accounts are presented for noting by the Audit Committee. They have been prepared by staff with technical and detailed knowledge of the Council's financial affairs in accordance with the latest guidance and legislation. They have been prepared to present a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2014. Key issues contained in the accounts have been summarised above and Members will have the opportunity to ask questions at the Committee meeting. A report will be presented by KPMG to this Committee on 23<sup>rd</sup> September setting out the result of the external audit in the form of their ISA 260 Report, the 'Communication With Those Charged with Governance' report for 2013/14 (formerly the Annual Governance Report).

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Background Papers: Accounts and Audit (England) Regulations 2011  
The Code of Practice on Local Authority Accounting 2013/14 (The Code) - based on IFRS

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