

AUDIT COMMITTEE – 18 SEPTEMBER 2015

Title of paper:	STATEMENT OF ACCOUNTS 2014/15	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Barry Dryden, Senior Finance Manager, Financial Reporting barry.dryden@nottinghamcity.gov.uk 0115 876 2799	
Other colleagues who have provided input:	None	
Recommendation(s):		
1	The external auditors' report to those charged with governance (Appendix B) is considered	
2	The Statement of Accounts (Appendix C), as attached, is considered and is approved for signature by the Chair of Audit Committee.	
3	The Draft Management Representation Letter (Appendix D) is approved for signature by the Chair of Audit Committee.	

1. REASONS FOR RECOMMENDATIONS

- 1.1 Our external auditors (KPMG) have completed the audit of the draft 2014/15 Statement of Accounts (the Statements) and provided their findings in their "report to those charged with governance" (ISA260). In order to conclude the audit, KPMG are required to present the ISA260 to Audit Committee by 30 September 2015.
- 1.2 The Accounts and Audit Regulations 2011 require the Audit Committee to consider and approve the Statement of Accounts. The Chair of the Audit Committee and Chief Finance Officer are then required to sign a Statement of Responsibilities, including approval of the accounts.
- 1.3 As part of the audit, KPMG require the authority to make certain statements in a management representation letter, including confirmation that the statements have been constructed accurately and on an appropriate basis, and relevant and complete disclosures have been made.

2. BACKGROUND

- 2.1.1 On 29 June 2015, the Director of Strategic Finance approved the draft Statements for 2014/15 as giving a true and fair view of the financial position, income and expenditure, in accordance with the Accounts and Audit Regulations 2011.
- 2.2 At this point, the Statements were also subject to external audit, with the audit having to be concluded by 30 September 2015. The remainder of this report, along with the ISA260 are intended to help the Committee consider any relevant issues before approving the Statements for signature by the Chair of Audit Committee.

3. KEY ISSUES

The Executive Summary is reproduced at Appendix A for ease of reference and explains the key figures included in the Statements.

4. CHANGES TO THE FORMAT AND CONTENT OF THE ACCOUNTS.

4.1 Colleagues continue to review the format and content of the Statements, in order to introduce improvements and make the accounts more understandable. The changes for 2014/15 include:

- A redesign of the note on usable reserves to focus on the types of reserve rather than each individual reserve.
- A review of the treatment of Trading Operations, which are now included within services where appropriate
- Presenting all tables in portrait format where possible.

5. KEY RISKS IDENTIFIED FOR 2014/15.

5.1 Colleagues identified key risks and improvements that needed to be planned for in 2014/15, which were then supplemented by additional risks identified by KPMG in their planning document:

- Ability to produce Statements directly from Oracle
- Transition to earlier production of the Statement of Accounts for 2016/17
- Net Line 2 asset recognition
- Full revaluation of Housing Revenue Account assets
- Changes in the guidance on accounting for schools assets
- New Revenues & Benefits Company
- Change in main bank account
- The potential on-going impact of control weaknesses identified in 2013/14 if insufficient progress has been made in removing or mitigating them during 2014/15

5.2 During 2014/15 colleagues had put actions in place to manage each of these risks. As a result of these actions KPMG did not identify significant issues in these areas, although some improvements to payroll controls were identified which are being put in place.

6. AMENDMENTS TO THE STATEMENTS FOLLOWING AUDIT REVIEW.

6.1 KPMG have reviewed information provided in the Statements for 2014/15. Inevitably, certain changes arise from the work undertaken by both colleagues and KPMG as they examine the accuracy and completeness of the Council's Statements. As a result of this work colleagues identified a correction to presentation of the Comprehensive Income and Expenditure Statement (CIES). Both the income and expenditure on Public Health have been overstated by £21m, however net expenditure remains the same. As a result, for the 2015/16 accounts a number of checks will be completed earlier in the process to help ensure the accuracy of the draft statements.

- 6.2 A number of other minor changes have been made to the notes to the accounts including some additional disclosures for the Cash Flow Statement.
- 6.3 A number of changes have also been made to Group Accounts to reflect the changes above and the receipt of final audited accounts for other members of the Group.

7. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

Statement of Accounts working papers
KPMG External Audit Plan 2014/15

4. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

Code of Practice on Local Authority Accounting in the United Kingdom 2015
Guidance Notes for Practitioners 2014/15 Accounts
The Accounts and Audit (England) Regulations 2011