

5 March 2014		ITEM: 10
Standards and Audit Committee		
Financial Statements – Progress Report		
Report of: Councillor John Kent		
Wards and communities affected: All	Key Decision: For Information Only	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Graham Farrant, Chief Executive		
This report is Public		
Purpose of Report: To inform the committee of progress made in the preparation of the 2013/14 financial statements.		

EXECUTIVE SUMMARY

The Council is required to complete its financial statements by 30 June in any given year. The Council received an unqualified opinion from the external auditors in 2012/13 and work has continued to improve the standard of the financial statements and the working papers that support them. This report sets out the steps that have been taken to date.

1. RECOMMENDATIONS:

1.1 That the committee notes the content of this report.

2. INTRODUCTION AND BACKGROUND:

2.1 The 2012/13 Financial Statements were completed and signed on 30 September 2013. The main issues raised by the external audit team related to the reclassification of certain items of income and expenditure between categories in the comprehensive income and expenditure account with no impact on the general fund balance. The overall position was a significant step forward from the previous year with the financial statements supported by a much higher quality standard of working papers. This has been taken forward in the current year with the following actions taken:

- Financial statements timetable – All tasks have been allocated and agreed with the final accounts core team. The timing of all tasks has been reviewed allowing the financial statements to be prepared to shorter timescales.

- Accounting issues identified in 2012/13 – The issues raised by external audit have been considered and discussed with the relevant members of the final accounts team. These largely related to the classification of income and expenditure items and these will be reviewed in detail at the year-end.
- Changes to technical guidance – The financial statements are prepared in accordance with the requirements of the Code of Practice for Local Authority Accounting 2013/14. The Code has been reviewed, changes identified and the impact on the financial statements considered. The draft financial statements reflect these changes and these will continue to be considered as part of the year-end work.
- Reconciliations – an issue raised over the timing of the completion of the Controc (adult social care system) reconciliation has been addressed with a regular monthly process now in place which will be updated for year-end. A similar process is in place for the SX3 (revenues and benefits) reconciliations. All other reconciliations have been completed on a monthly basis.
- Earlier inclusion of capital transactions – Some capital transactions have been posted in the system ahead of the year-end. These include the input of the property valuation data (overall it is expected there will be net downward valuation of £1.1m across all property) and transactions relating to the depreciation of property, plant and equipment (estimated depreciation charge for 2013/14 is £15.5m). There remains some valuation work to be completed in respect of sites in Purfleet which are expected to be sold in 2014/15.
- Training – members of the final accounts core team have attended training provided by CIPFA and Ernst and Young. This has focused on changes to the Code and hot topics for the current year. The most significant change has arisen in the accounting for business rates.
- Ongoing liaison with external audit – there has been initial planning of the financial statement audit for 2013/14. Initial views have been sought on specific issues ahead of the year-end and this will continue as part of the closedown process.
- Working Papers – the financial statements notes have been drafted and the supporting working papers allocated to relevant team members for completion. This includes relevant sections of the Whole of Government Accounts return to enable this to be completed within reduced timescales.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1 The work to complete the financial statements is proceeding in accordance with expected timescales.

4. REASONS FOR RECOMMENDATION:

- 4.1 This report is for information only to give Members of the committee information that impacts the accounts to a material degree.

5. CONSULTATION (including Overview and Scrutiny, if applicable)

- 5.1 There has been no consultation on the contents of this report.

6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 6.1 The financial statement sets out the financial position of the Council. The allocation of funds to specific reserves earmarks them for set purposes and are designed to support the Council in meeting its operational and aspirational objectives.

7. IMPLICATIONS

7.1 Financial

Implications verified by: **Sean Clark**
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These are included in the body of the report.

7.2 Legal

Implications verified by: **David Lawson**
Telephone and email: **01375 652087**
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There are no specific implications from this report.

7.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**
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There are no specific implications from this report.

7.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

There are no specific implications from this report.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- There are various working papers within accountancy.

APPENDICES TO THIS REPORT:

- None

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