



ESPO MANAGEMENT COMMITTEE – 25 SEPTEMBER 2014

**DRAFT STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE
STATEMENT 2013/14**

JOINT REPORT OF THE DIRECTOR AND CONSORTIUM TREASURER

Purpose of Report

1. This report sets out the Statement of Accounts and Annual Governance Statement for the financial year 2013/14.

Background

2. Local Authority Accounting requires the organisation to approve the Statement of Accounts and Annual Governance Statement for the financial year 2013/14 and receive the Auditor's report by the end September 2014.
3. The Draft Statement of Accounts were distributed to members on 1st August 2014 in accordance with the minutes of the Management Committee meeting held on 26th June 2014. The Draft Annual Governance Statement was considered by the Management Committee at this meeting.

The Draft Statement of Accounts for 2013/14 and Annual Governance Statement were considered by the Finance and Audit Sub Committee on 9th September 2014 and the minutes of that meeting are considered elsewhere on the agenda.

**Draft Statement of Accounts and Annual Governance Statement
2013/14**

4. The Draft Statement of Accounts and Annual Governance Statement for 2013/14 are attached as Appendix 1.
5. PriceWaterhouseCoopers (PWC) commenced final audit of the accounts on 4th August 2014 for two weeks. The draft audit opinion is considered elsewhere on the agenda.
6. The CIPFA Code of Practice on Local Authority Accounting requires the organisation to disclose information relating to the impact of an accounting change that will be required by any new standards that has been issued by 1 January 2014 but not yet adopted by the Code for the relevant year. The changes that have not yet been implemented are stated with the Accounts.

Key Points

7. Value of Land and Buildings:- The Grove Park premises were valued at £10m (2012/13 - £10m) in accordance with professional guidelines. The outstanding long term loan now stands at £8.0m (2012/13 £8.5m). Note 10 and 12 in the Statutory Accounts
8. Cash at Bank:- Total cash balances were £8.5m (2012/13 £9.2m) a decrease of £0.7m mainly down to the release of Phonics money owed to other Pro5 Members at the previous year end. The total dividend declared but not yet paid stands at £1.5m (2012/13 £1.5m). Note 15 in the Statutory Accounts
9. Net Assets:- Total net assets grew to £10.9m from £9.6m in the prior year. This is principally due to the surplus on provision of services of £1.3m. Page 8 in the Statutory Accounts
10. Post Balance Sheet Events:- Leicester City Council have formally left the Consortium and a new Consortium agreement is in place. Note 5 in the Statutory Accounts.

Consideration by the Finance and Audit Subcommittee

11. At its meeting on 9 September 2014 the Finance and Audit Subcommittee considered the Draft Statement of Accounts and Annual Governance Statement 2013/14, including a brief oral update on the work undertaken to date by ESPO's external auditor PwC. Below is an extract of the points raised at the meeting:-
 - i) ESPO had experienced continued growth during 2013/14 in stores turnover and in the use of framework contracts. The Subcommittee was pleased that this allowed ESPO to continue investing in low prices and provide excellent service and procurement expertise;
 - ii) Leicestershire County Council had adopted the principles of the Public Sector Internal Audit Standards (PSIAS) 2013 and as its internal auditor, also applied them to ESPO. The PSIAS required the Head of Internal Audit Service to have developed and had approved for Leicestershire County Council as servicing authority, and consequently also for ESPO, the following:
 - An Internal Audit Charter which scoped internal audit relationships and governance; and
 - a Quality Assurance and Improvement Programme;

Whilst the Internal Audit Service held historic documentation and undertook practices that aligned to the required documentation, it was

noted that it did not yet have a formal internal audit charter or Quality Assurance and Improvement Programme (QAIP);

- iii) The PSIAS stated that an internal audit activity could only report that it *'Conforms with the International Standards for the Professional Practice of Internal Auditing'* if the results of the QAIP supported this statement. Given that a formal QAIP did not yet exist, the Head of Internal Audit Service (HoIAS) was currently reporting 'non-conformance with the PSIAS'. Minor amendments would be required to the Annual Governance Statement 2013/14 to reflect this position in respect of report pages 65 (weakness/area for improvement), 71 (note of non-conformance) and 77 (additional key improvement area and deadline of December 2014) accordingly prior to reporting it to the Management Committee;
 - iv) The HoIAS confirmed that a formal Charter and QAIP would be ready for approval by the Servicing Authority's Corporate Governance Committee in November 2014, with a view to it being provided to the February 2015 meeting of the Subcommittee for its consideration and submission to the Management Committee in March 2015, for approval.
12. The Subcommittee then resolved that the draft Statement of Accounts 2013/14 and Annual Governance Statement 2013/14, inclusive of the minor amendments as now reported, be recommended to the Management Committee on 25 September 2014, for its approval.
13. It also thanked the Director and Consortium Secretary for the work they and their staff had undertaken to prepare the Statement of Accounts and Annual Governance Statement.

Resources Implications

11. None

Recommendation

12. The Management Committee is asked to approve the Draft Statement of Accounts for 2013/14 and the Annual Governance Statement.

Equal Opportunities Implications

13. None

Background Papers

Public Sector Internal Audit Standards (PSIAS) 2013

Officers to Contact

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Mr J Doherty – Director of ESPO (Tel: 0116 265 7930)

Appendices

Appendix 1 - Draft Annual Statement of Accounts

Appendix 2 - Annual Governance Statement