

NAME OF COMMITTEE	Audit Committee
DATE	28 September 2011
REPORT TITLE	ANNUAL STATEMENT OF ACCOUNTS 2010/11
Report of	Head of Finance and Audit
WARDS AFFECTED	All

Summary of report:

This report presents a summary of net revenue and capital expenditure for Members consideration and seeks approval of the audited Statement of Accounts for 2010/2011 (attached). **Following approval of the accounts, the Chairman of the Audit Committee is required sign and date the accounts.** Members are also required to consider the content of the Letter of Representation. **Following approval of its wording, the Chairman of the Audit Committee and the Head of Finance are required to sign the Letter of Representation.**

Financial implications:

The Council's Statement of Accounts set out the financial position of the Authority as at 31 March 2011. The report advises Members that a surplus of £139,000 was generated in 2010/2011.

RECOMMENDATIONS:

It is recommended that Members approve:

1. the wording of the Letter of Representation (Appendix A)
2. the audited Statements of Accounts (Appendix B)

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1. BACKGROUND

- 1.1 The Accounts and Audit (England) Regulations 2011 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduce revised procedures for the certification, approval and publication of accounting statements. In particular, the requirement for Councils to approve the SOA prior to external audit is removed. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the audit.
- 1.2 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.
- 1.3 The attached booklet (Appendix B) contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Account, Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow. In addition, the explanatory foreword to the booklet summarises the major variations in income and expenditure from the original budget.
- 1.4 The accounts have been prepared in accordance with all relevant and appropriate accounting standards including International Accounting Standard (IAS) 19 which deals with pension costs.

2. ISSUES FOR CONSIDERATION

2.1 International Financial Reporting Standards (IFRS)

- 2.1.2 Members are reminded that this is the first time that the annual accounts have been prepared on an IFRS basis. A major implication of this change is a requirement that the 2009/10 accounts are restated on an IFRS basis for comparative purposes. This has placed an additional and considerable burden on the Council's Finance Team.
- 2.1.3 There have been no changes in accounting policies apart from the requirements to reassess various balances and transactions in 2009/10 (and calculate similarly for 2010/11) under IFRS. Principally this has affected the treatment of employee costs, grants and contributions received property, plant and equipment, income in advance, cash and cash equivalents and leasing. The changes are detailed in Note 41 of the notes to the financial statements.

2.2 IAS 19 – “Employee Benefits”

2.2.1 This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's SOA. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's surplus for the year.

2.3 Revenue Expenditure

2.3.1 Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, fees and charges, government grants and interest earned on investment activity.

2.3.2 The surplus on the General Fund in 2010/2011 is £139,000 which represents less than 1% of the Council's gross turnover of £52M. The main differences from budget are shown in paragraph 4 of the Explanatory Forward in the SOA.

2.4 Capital Expenditure

2.4.1 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £3.3 M in 2010/11 and is analysed in the Explanatory Foreword to the SOA.

3. AUDIT OF ACCOUNTS

3.1 The draft Statement of Accounts was considered by the Audit Committee on 14 July 2011. The Draft Statement of Accounts is required to be audited by the Council's external auditors, who give their opinion on the Draft Accounts. The annual audit was undertaken in August 2011 and September 2011 by the Council's external auditors, the Audit Commission. Post audit changes have been incorporated within the SOA in line with the recommendations contained within the auditor's Annual Governance Report.

3.2 The Council Constitution delegates approval of the Accounts to the Audit Committee. The Council is also required to sign a Letter of Representation every year, which gives representations to the Council's external auditors. The Chairman of the Audit Committee and the Head of Finance are required to sign the Letter of Representation. The letter is attached at Appendix A. It is recommended that Members approve the wording of the Letter of Representation.

4. LEGAL IMPLICATIONS

4.1 The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2011 (SI 2011 No 817).

5. FINANCIAL IMPLICATIONS

5.1 There are no material financial implications arising from the audit of the accounts.

6. RISK MANAGEMENT

6.1 The risk management implications are:

Opportunities	Benefits
To approve the accounts in line with the Statutory deadline.	The Council meets its statutory obligations by having procedures in place to fulfil this requirement.
Issues/Obstacles/Threats	Control measures/mitigation
Failure to have the audited accounts approved by the Statutory deadline of 30 th September.	The external auditors have completed a thorough review of the Council's financial records and reported their findings.

Corporate priorities engaged:	Effective financial management underpins the achievement of all priorities
Statutory powers:	Section 151 Local Government Act 1972 Section 21 (12) Local Government Act 2003 Accounts and Audit (England) Regulations 2011 SI 2011 No 817
Considerations of equality and human rights:	None directly arising from this report
Biodiversity considerations:	None directly arising from this report
Sustainability considerations:	None directly arising from this report
Crime and disorder implications:	None directly arising from this report
Background papers:	Corporate Finance working papers Annual Governance Report
Appendices attached:	Appendix A – Letter of Representation Appendix B – Statement of Accounts

