

AGENDA  
ITEM

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## SOUTH HAMS DISTRICT COUNCIL

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<b>NAME OF COMMITTEE</b>	Audit Committee
<b>DATE</b>	27 September 2012
<b>REPORT TITLE</b>	<b>ANNUAL STATEMENT OF ACCOUNTS 2011/12</b>
<b>Report of</b>	Head of Finance and Audit
<b>WARDS AFFECTED</b>	All

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### 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 2011/12 (to follow). **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 2012. The report advises Members that a surplus of £260,000 was generated in 2011/12.

### 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 introduced revised procedures for the certification, approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the external 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 IAS 19 – “Employee Benefits”**

- 2.1.1 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.

### **2.2 Revenue Expenditure**

- 2.2.1 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.
- 2.2.2 The surplus on the General Fund in 2011/2012 is £260,000 which represents less than 0.5% of the Council's gross turnover of £59m. The main differences from budget are shown in paragraph 4 of the Explanatory Forward in the SOA.

## **2.3 Capital Expenditure**

- 2.3.1 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £3.4m in 2011/12 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 17 July 2012. 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 2012 and September 2012 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 shown at the end of this report in the Strategic Risks Template.

## 7. OTHER CONSIDERATIONS

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

## STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Public Accountability	A formal review of the Statement of Accounts forms an essential component of the Council's systems for public accountability and is a statutory requirement.	5	1	5	↔	The accounts have been drawn up in strict accordance with the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2011/12</i> which is recognised by statute as representing proper accounting practice	Head of Finance & Audit
2	Resource Planning	Consideration of the balance sheet and revenue outturn provides a platform for future resource planning.	5	1	5	↔	The Executive take in account any significant issues when developing the Council's Medium Term Financial Strategy.	Head of Finance & Audit/ Executive

Direction of travel symbols ↓ ↑ ↔

