

Committee: Performance and Audit Committee
Date: 29 September 2011
Title: Audited Statutory Accounts 2010/11
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Agenda Item

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Item for
Approval

Summary

- 1 On 18 August 2011 the Committee approved the draft Statement of Accounts for 2010/11 and received a verbal update from the Council's External Auditor on the progress made to date in auditing those Accounts.
- 2 As detailed in the previous item on this agenda, the audit of the Accounts is now complete and the audited Statement of Accounts are available for approval by this Committee prior to publication by the 30 September under relevant statute.
- 3 The Council has received an unqualified opinion on the Accounts. However, the audited Accounts included some adjustments which are detailed at Appendix A and these have been agreed with the External Auditor.

Recommendations

- 4 That Members approve the audited Statement of Accounts for 2010/11.

Background Papers

- 5 International Reporting Standards.

Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code) and associated Guidance Notes – published by CIPFA/LASAAC.

Various Audit Commission, CIPFA and PricewaterhouseCoopers publications.

Accounts and Audit Regulations 2003(Amended). Accounts and Audit Regulations 2011.

2010/11 Outturn Report to Cabinet 16 June 2011.

Draft Statement of Accounts 2010/11 Report Performance and Audit Committee 18 August 2011.

Impact

Communication/Consultation	None
Community Safety	None identified
Equalities	None identified
Finance	Detailed in the report.
Health & Safety	None identified
Legal implications/ Human Rights	Under the Accounts and Audit Regulations 2003 (as amended) and 2011, the Council has responsibility to: <ul style="list-style-type: none">• Approve and publish the audited Statutory Accounts for 2010/11 no later than 30 September 2011. In line with the requirements of 'The Code'.
Sustainability	None identified
Ward-specific impacts	None identified
Workforce/Workplace	None identified

Background

- 6 The 2010/11 Statutory Accounts are the first to be prepared under IFRS.
- 7 In addition to the production and approval of the Council's Accounts being a gauge of both 'good housekeeping' and an important process in enabling the Council's stakeholders to review the Council's financial performance for the period to 31 March 2011; there is a legal duty to publish the audited Accounts by the 30 September each year.
- 8 The Accounts and Audit Regulations 2011 require Members to formally approve the audited Accounts prior to publication.
- 9 The previous agenda item; detailed the External Auditor's statutory report to 'those charged with governance'. The report identifies those matters arising from the audit which the auditors wish to draw the Committee's attention to.
- 10 After the formal approval by the relevant Council Officers and this Committee, the audited Accounts will be published on the Council's website along with the External Auditor's Annual Governance Report.

Financial Impact

- 11 The audited Accounts are consistent with the 2010/11 Outturn reported to Cabinet on 16 June 2011.
- 12 As detailed at Appendix A and in the External Auditor’s report, the following financial changes have been made to the Council’s accounts resulting in changes to the key financial statements:
 - the requirement to write out an asset which was transferred at nil consideration to another public sector body – financial impact £110k approximately; and
 - the requirement to correct brought forward depreciation on revaluing assets – financial impact £469k approximately.
- 13 Both adjustments are caught within statutory override arrangements for Local Government accounting and therefore do not impact on the Council’s reported Outturn for 2010/11.
- 14 During the approval of the draft Accounts for 2010/11 the following financial issues were given consideration by members of the committee:
 - Capital Receipts Reserve: it was noted by members at the last Performance and Audit Committee that the Capital Receipts Reserve had been fully applied as at 31 March 2011. The Assistant Chief Executive – Finance has been tasked to present a report to the October Scrutiny Committee on the potential impact and actions associated with this financial situation.
 - Members also noted the in year reduction in the Pension deficit from £22.7 million to £19.2 million. However, the reduced deficit figure reflected the position as at 31 March 2011. Since the end March 2011 the FTSE Index has reduced by 10.3%. The medium to long term impact of the Council’s pension liability will be considered as part of the updated Medium Term Financial Strategy.

Non - Financial Impact

- 15 During the course of the audit, the auditor suggested a few minor clarification changes which are detailed at Appendix A for information. Officers agreed in most instances to make the appropriate change to the draft Accounts.
- 16 Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The draft Statutory Accounts do not materially comply with the requirements of ‘The Code’, resulting in an adverse ISA 260 report (Communication with Those Charged with Governance) and associated reputational impact.	1 = Little or no likelihood	3 = Significant impact – action required	Close liaison with the External Auditors and ongoing technical networking has resulted in an unqualified audit opinion.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Appendix A**SUMMARY OF KEY CHANGES TO THE DRAFT 2010/11 STATEMENT OF ACCOUNTS**

Page	Change Details	Impact
<i>Key Financial Statements: Pages 19/20/21/22/23 and various notes.</i>	Fixed Asset Register updated for: <ul style="list-style-type: none"> • Transfer of asset at nil consideration. • Reinstatement of brought forward depreciation as a result of revaluation of General Fund Assets. 	<i>Financial Impact:</i> CI&E (page 20) - £358k increase in year end performance. Balance Sheet (Page 21/22) – Net Impact Nil. £358k increase in Fixed assets and £358k increase in Unusable Reserves.
<i>Comprehensive Income and Expenditure Statement</i>	Disclosure clarification in relation to past service benefits gain as a result of national change in Pension arrangements, with pension payments being linked to CPI rather than RPI.	Non - financial disclosure change.
<i>Explanatory Foreword: Pages 3 to 14</i>	Narrative changes as agreed with External Audit with regards to the context of IFRS.	Non - Financial disclosure change.
<i>Note 18: Analysis of Fixed Assets</i>	Disclosure of revaluation gains into those recognised in the CI&E and those recognised in Revaluation Reserve.	Non - Financial disclosure change.