

STATEMENT OF ACCOUNTS 2011/12 AND EXTERNAL AUDITOR'S GOVERNANCE REPORT

Submitted by: Head of Finance

Portfolio Finance and Budget Management

Ward(s) affected All indirectly

Purpose of the Report

To approve the statement of accounts, receive the Audit Commission's Governance Report for 2011/12 and to agree the Letter of Representation to the Auditor.

Recommendations

- (a) That the Statement of Accounts 2011/12 be approved and signed by the person presiding at the meeting.**
- (b) That the Annual Governance Report for 2011/12 be received.**
- (c) That the Letter of Representation be approved for signature by the Council's Section 151 Officer.**

Reasons

It is a statutory requirement, contained in the Accounts and Audit Regulations 2011, that the Council produces a Statement of Accounts detailing its financial transactions for the year and its position at the year end and that this is approved by a Committee no later than 30 September in the year following that to which the Statement relates.

The External Auditor appointed by the Audit Commission (the District Auditor) is required, according to the International Standard on Auditing 260 (ISA 260), to report to you on matters affecting governance via a governance report.

The Letter of Representation is a formal letter from the Council to the External Auditor stating various matters which the auditor needs to have confirmed in order to gain sufficient assurance to be able to certify the Council's accounts.

1. Background

- 1.1 The Committee received a report on 24 July in relation to the draft Statement of Accounts and the Outturn position for 2011/12. The report explained that the 2011/12 Statement of Accounts does not have to be formally approved by a Council Committee until 30 September 2012. However, it was felt that members needed an earlier update on the position for 2011/12, which was the reason for this earlier report. The report set out information in relation to the outturn position and the main features of the Statement of Accounts, such as the balance sheet position, reserves levels and income and expenditure for the year. A copy of this report is attached at Appendix A.
- 1.2 The Committee now needs to formally receive the Statement of Accounts for 2011/12 for scrutiny and approval. Accordingly a copy of the Statement is appended at Appendix B for your consideration.

- 1.3 The External Auditor appointed by the Audit Commission (the District Auditor) is required, according to the International Standard on Auditing 260 (ISA 260), to report to you on matters affecting governance via a governance report.
- 1.4 The purpose of the report is primarily to allow the auditor to bring to the attention of the Committee any material mis-statements in the accounts for 2011/12, which your officers have declined to amend and any significant material mis-statements in the accounts submitted for audit which have been amended, together with any material weaknesses in internal control or areas of uncertainty. The report also contains the auditor's opinion on the Council's arrangements for achieving Value for Money.

2. **Statement of Accounts 2011/12**

- 2.1 The Statement of Accounts now submitted to you has been audited by the Council's external auditor, the Audit Commission. As a result a very small number of minor amendments have been agreed with the auditor and made to the Statement but it is substantially the same document as you considered in July. The Annual Governance Report sets out the amendments which have been made.
- 2.2 None of these agreed amendments change the amount of the negative variance on the General Fund Revenue Account (£162,808) reported to you in July.
- 2.3 There are no changes which are significant enough to alter the content of the previous report, apart from in respect of the items outlined in paragraph 2.4 below. Accordingly, the previous report attached at Appendix A should continue to be referred to for an explanation of the main features of the 2011/12 Statement.
- 2.4 A small number of changes have been made to the Statement of Accounts, following agreement with the external auditor. None of these agreed amendments change the amount of the negative variance on the General Fund Revenue Account (£162,808) reported to you in July. The effect of these changes is as follows:
- (1) An item included in Heritage Assets on the basis it was owned by the Council has since been found to be a museum exhibit on loan to the Council and hence should not be included in the Heritage Assets figure in the balance sheet. This balance has been reduced by £0.02m, with a corresponding reduction being made to the balance of the Revaluation Reserve.
 - (2) An amount of £0.04m was found to be included in the sundry debtors total, which related to an account which would not be paid owing to the debtor concerned having gone into liquidation. Accordingly, the balance sheet has been amended by reducing the short term debtors balance by this amount and the Capital Grants Receipts in Advance Account balance, to which the income due had been credited has been reduced by the same amount. This account related to an outstanding Section 106 payment, payable by a developer, which is a charge upon the land concerned so the debt can still be collected from the present owners/occupiers, who will be billed for the amount due.
 - (3) The amount by which short term debtors had been impaired, representing an assessment of the amount contained within the debtors balance which may not actually be received (i.e. bad debts) was found to be overstated by £0.10m. Accordingly, the short term debtors balance has been increased by this amount and the charge to the Comprehensive Income and Expenditure Statement (CIE&S) in respect of the impairment reduced. At the same time, additional information has been received concerning the Council's exposure to the scheme of arrangement in

relation to Municipal Mutual Insurance, previously covered in the accounts by a note under "Contingent Liabilities". It was, therefore, considered prudent to set aside the amount of £0.10m by which the debtors impairment had been reduced as a provision to meet the liability. This increases the Provisions balance in the balance sheet and reinstates the amount taken out of the CIE&S in respect of debtors. Overall there is no change to the total of service costs shown in the CIE&S, only a small change in the individual service analysis making up the total.

2.5 The Council's Annual Governance Statement, which you approved at your July meeting, will be incorporated in the Statement of Accounts. Whilst the Accounts and Audit Regulations 2011 no longer require this to be included in the Statement of Accounts, they require it to be published, so it appears most appropriate to continue to include it in the published Statement of Accounts. Please note that this has not been included in the Statement appended to this report, however, in order to save paper.

2.6 The Audit Certificate to be included in the Statement will be provided after this meeting, following receipt by the auditor of the agreed and signed Letter of Representation, subject to his final satisfaction with the accounts.

3. **Annual Governance Report**

3.1 The Governance Report, which contains a copy of the proposed Letter of Representation, is attached at Appendix C. The external auditor will present the report and attend your meeting, together with your officers, to answer any questions raised by the Committee.

3.2 As stated earlier, the agreed amendments to the accounts referred to in the Governance Report do not change the amount of the negative variance (budget compared to outturn), i.e. the bottom line, in relation to the General Fund Revenue Account from that previously reported to members in July.

4. **Letter of Representation**

4.1 The Letter of Representation is a formal letter from the Council to the External Auditor stating various matters which the auditor needs to have confirmed in order to gain sufficient assurance to be able to certify the Council's accounts. It has to be approved by your Committee and then signed by the Council's Section 151 Officer.

4.2 The proposed Letter of Representation is set out at Appendix D.

5. **Equality Impact Assessment**

5.1 There are no equality issues arising from the report.

6. **Financial and Resource Implications**

6.1 The adverse variance on the General Fund Revenue Account of £162,808 has been met by a transfer from the Budget Support Fund.

7. **Previous Reports**

7.1 Report to Audit and Risk Committee 24 July 2012 "Draft Statement of Accounts 2011/12.

8. **Appendices**

Appendix A: Report to Audit and Risk Committee 24 July 2012

Appendix B: Statement of Accounts 2011/12
Appendix C: Governance Report 2011/12
Appendix D: Letter of Representation

9. **Background Papers**

Report to Audit and Risk Committee 24 July 2012 “Draft Statement of Accounts 2011/12”;
Governance Report 2011/12 produced by the External Auditor appointed by the Audit
Commission; Letter of Representation 2011/12.