

STATEMENT OF ACCOUNTS 2011/12 – OUTCOME OF EXTERNAL AUDIT

Performance and Governance Committee - 18 September 2012

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the external audit findings of the 2011/12 accounts.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager Financial Services – Adrian Rowbotham

Recommendation to Performance and Governance Committee: It be RESOLVED that the Statement of Accounts 2011/12 be approved.

Introduction

- 1 The Draft Statement of Accounts 2011/12 was submitted to and reviewed by the Finance Advisory Group on 25 July 2012.
- 2 The external audit of the accounts began on 26 July and the Annual Governance Report in Appendix A sets out the findings and the changes to the accounts agreed as part of the process. The report also sets out the auditor's Value for Money (VFM) conclusion for 2011/12.
- 3 The Council's external auditor, Andy Mack of The Audit Commission, will attend the meeting to discuss their report on the 2011/12 audit. The accounts are required to be signed off by the end of September.
- 4 The Audited Statement of Accounts 2011/12 is attached in Appendix B.
- 5 The format of the statement remained the same as 2010/11 and has been compiled in line with International Financial Reporting Standards (IFRS).

Review by the Finance Advisory Group

- 6 At the meeting on 25 July, the Finance Manager explained the most important items in the statement and provided answers to detailed questions raised by Members.

- 7 Following Member recommendation, the 'Movement in Reserves Statement' has been amended so that the year end balance transferred to the Budget Stabilisation Reserve can be clearly identified.

Changes made since the Finance Advisory Group meeting

- 8 As well as the changes mentioned in the Audit of the Financial Statements section below, officers have also made the following changes since the draft statement was presented to the Finance Advisory Group:
- Added a policy and note for Heritage Assets, which is a new requirement for 2011/12. this council does not have any Heritage Assets of a material value.
 - The table in the foreword has been adjusted to show the year-end contribution to the Budget Stabilisation Reserve.

Commentary on the Auditor's Report

Audit of the Financial Statements

- 9 The Audit Commission has stated that the accounts presented for approval have been prepared to a sound standard and that none of the adjustments have impacted on the overall reported general fund balance.
- 10 The main changes highlighted in the Annual Governance Report are explained below:
- a. Council Tax benefit classification – in all previous years Council Tax benefit and Housing benefit have been included in the 'Housing services' line in the 'Comprehensive Income and Expenditure Statement'. The Audit Commission have pointed out that the two benefits should be treated separately with Council Tax benefit being included in the 'Central services to the public' line.
 - b. Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into "run off". A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.

Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of others rather than MMI. This increased the risk that a solvent run-off would not be achieved which would result in councils (and others, such as housing associations) being liable to clawback of monies paid out to settle claims. Due to this uncertainty, the council has shown this risk as a Contingent Liability in the Statement of Accounts in recent years.

Since March, more information has become available following the outcome of a Supreme Court Judgement which has made it more likely that this council will

incur additional expenditure. Therefore, a Provision has now been included in the accounts rather than a Contingent Liability.

- c. Council tax refunds (banding appeals) – Officers were aware of the discrepancy and have been carrying out a detailed analysis to identify the likely causes. The cause was found to be how council tax banding refunds had been treated for years prior to the current Academy System going live. The adjustment affects the Collection Fund and the Balance Sheet but has no effect on the year-end outturn position.

11 There are no uncorrected errors.

Value for Money

- 12 The Audit Commission has issued an unqualified opinion about the Council's economy, efficiency and effectiveness in its use of resources.
- 13 In particular, the report highlights that the Council continues to have strong arrangements in place to ensure value for money. This includes high quality financial monitoring and robust medium term financial planning which is underpinned by high quality strategic leadership at both Member and senior officer level.

Process Improvements

- 14 We would like to express our thanks to the Audit Commission for their efforts in completing the required audit work in time for reporting to this Committee. The Finance Team will be working with the Audit Commission to review the 2011/12 Accounts process to identify any improvements that can be made for future years.

Key Implications

Financial

- 15 There are no financial implications.

Community Impact and Outcomes

- 16 No issues have been identified.

Legal, Human Rights etc.

- 17 There are no legal or human rights implications.

Conclusions

- 18 It is pleasing to report to Members a positive outcome to the closure of accounts process. It has been a challenging process due to the staffing changes and budget savings resulting from the departure of the Head of Finance and Human Resources. I would like to take this opportunity to thank the Team for their dedication and professionalism in successfully completing the accounts during a period of change.

Risk Assessment Statement

- 19 In order to meet this year's statutory publication deadline, the final version of the Statement of Accounts needs to be agreed with the external auditor by 30 September 2012.
- 20 The system of internal control within the Council, including regular budget monitoring and internal audit reviews, reduces the risk of errors in the Statement of Accounts and provides the Committee with further assurance.
- 21 The staffing changes in the Finance Team increases the risk of errors but this risk has been mitigated by having thorough working papers and by having a handover process.
- 22 Referring the Statement of Accounts to the Finance Advisory Group for more detailed scrutiny should provide the Committee with further assurance about the accuracy of the Statement.

Appendices

Appendix A – Annual Governance Report 2011/12

Appendix B – Audited Statement of Accounts
2011/12

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