

## PERFORMANCE AND GOVERNANCE COMMITTEE – 27 SEPTEMBER 2011

### STATEMENT OF ACCOUNTS 2010/11 – OUTCOME OF EXTERNAL AUDIT

Report of the: Deputy Chief Executive and Corporate Resources Director

Status: For Decision

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**Executive Summary:** This report sets out the external audit findings of the 2010/11 accounts.

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

**Portfolio Holder** Cllr. Ramsay

**Head of Service** Head of Finance and Human Resources – Tricia Marshall

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**Recommendation:** It be RESOLVED that the Statement of Accounts 2010/11 be approved.

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#### Introduction

- 1 The Draft Statement of Accounts 2010/11 was submitted to and reviewed by the Finance Advisory Group on 27 July.
- 2 The external audit of the accounts began on 27 June 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 2010/11.
- 3 The Council's external auditor, Andy Mack of The Audit Commission, will attend the meeting to discuss their report on the 2010/11 audit. The accounts are required to be signed off by the end of September.
- 4 The Audited Statement of Accounts 2010/11 is attached in Appendix B.

#### Changes to the preparation of the Statement of Accounts

- 5 For the first time this Statement of Accounts, in common with those for all other local authorities, has been compiled in line with International Financial Reporting Standards (IFRS). This brings local authority accounting in line with the rest of the public sector, which adopted IFRS in its published accounts from 2009/10. IFRS requires entities to re-state the previous financial year's results in line with IFRS, as if they had always produced their accounts under IFRS. The Balance Sheet as at 1 April 2009 and 31 March 2010 together with the Comprehensive Income and Expenditure Statement for 2009/10 have therefore been re-stated.

- 6 The Finance Advisory Group has been presented with reports updating them on these accounting changes on 25 March 2009, 20 January 2010 and 23 March 2011.
- 7 The change to IFRS has meant a significant amount of extra work for the Finance Team and has resulted in the size of the Statement of Accounts increasing from 60 pages in 2009/10 to 88 pages in 2010/11.

### **Review by the Finance Advisory Group**

- 8 At the meeting on 27 July, the Finance Manager explained the most important items in the statement and provided answers to detailed questions raised by Members.
- 9 Members shared the Officers' disappointment with the new reporting requirements. They felt the accounts were not user friendly and longer than necessary.

### **Commentary on the Auditor's Report**

#### Audit of the Financial Statements

- 10 The Audit Commission has stated that the accounts presented for approval have been prepared to a high standard and that none of the adjustments has impacted on the overall reported general fund balance.
- 11 The main changes highlighted in the Annual Governance Report are explained below:
  - Property valuations – The majority of properties are revalued on a five-year rolling basis by an external valuer. The assets valued in 2011 were found to have been valued incorrectly in 2006. Revised 2006 valuations have been received and adjusted in the Balance Sheet.
  - Categorisation of investments – In line with IFRS, the draft accounts have been amended to categorise investments with a duration of between 3 months and 12 months as Short Term Investments and any with a duration of over 12 months as Long Term Investments.

#### Value for Money

- 12 The Audit Commission has issued an unqualified conclusion about the Council's economy, efficiency and effectiveness in its use of resources.
- 13 In particular, the report highlights the following points:
  - The Council took early action to address financial pressures and has strong arrangements in place to secure financial resilience.

## Performance and Governance Committee – 27 September 2011

- The Council has embraced partnership working and moves rapidly to adopt new joint arrangements working with staff and empowering decision making.

### 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 2010/11 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 particularly challenging process for the Finance Team this year as they have had to meet the onerous requirements of the changeover to IFRS as well as building working relationships with a new team of external auditors. I would like to take this opportunity to thank the Team for their dedication and professionalism in successfully managing these major changes.

### **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 2011.
- 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 significant changes to the format of the Statement of Accounts increases the risk of errors but this risk has been mitigated through training of relevant staff and discussions with the external auditors and other authorities to build up a good understanding of the new requirements.

Performance and Governance Committee – 27 September 2011

- 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.

**Sources of Information:** Draft Statement of Accounts 2010/11

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