

To: Audit and Governance Committee **Item No:**

Date: 27th September 2012

Report of: Head of Finance

Title of Report: Statement of Accounts for the Year Ending 31st March 2012

Summary and Recommendations

Purpose of report: To submit the Council's Statement of Accounts for approval and authorisation

Key decision No

Executive lead member: Councillor Ed Turner

Policy Framework: Budget

Recommendation(s):

Audit and Governance Committee are recommended to :

- a) approve the audited 2011/12 Statement of Accounts and authorise the Executive Director, Organisational Development and Corporate Services and Chair of the Committee to sign the Statement of Accounts**
- b) approve the Letter of Representation to enable the opinion to be issued**

Appendix A - Statement of Accounts 2011/12 –

Background

- 1 On the 28th June 2012 the draft 2011/12 Statement of Accounts were certified by the 'Responsible Officer', the Executive Director, Organisational Development and Corporate Services as a true and fair view of the financial position of the authority at the 31st March 2012 and the authority's income and expenditure during the year. The accounts were duly authorised to be released for audit.
- 2 The Statement of Accounts for 2011/12, following external audit by the Audit Commission is re-certified by the 'Responsible Officer' and presented to this Audit and Governance Committee for final approval, prior to 30th September.

The Audit

- 3 The audit of the statements is now complete. The auditor has, in line with the Code of Practice, issued a draft report on the outcome of the audit. This is the Annual Governance Report and appears elsewhere on the agenda of this meeting.
- 4 The auditor is expected to issue an **unqualified opinion** on the financial statements, for the third successive year.
- 5 The auditors report states

“ my audit (of agreeing the statements to the ledger) was a lot easier this year with fewer queries being raised..... I identified an improvement in the working papers provided”

- 6 Appendix A, attached shows a revised set of accounts which incorporates the adjustments required as a consequence of the audit. Notable changes that have been undertaken include :
 - Incorrect classification of income and expenditure in the non distributed cost (NDC) line within the Comprehensive Income and Expenditure Statement (CI&E). A number of items totalling £1.3 million had been incorrectly charged to the NDC line and were subsequently apportioned and charged to other service lines.
 - Incorrect classification of grants – a number of voluntary grants paid out by the Council totalling £1.4 million e.g. homelessness, money advice had been charged to the incorrect service line within the CI&E
 - Amendments for hostels that were recorded twice in the account and five council houses that had been demolished resulted in corrections in balances in the order of £998k
- 7 The recommendations provided by the auditors include
 - Ensuring that staff are aware of CI&E classifications. Extensive training will be undertaken with all Finance staff involved in the closedown process

- HRA working papers should be reviewed prior to submission. Whilst this was undertaken clearly in this area the Council has more work to do. This will be picked up next year
- Ensuring that the information held by Council on leases is accurate and up to date. Officers have already undertaken work in this area and this is reflected in the auditor's recommendation.
- Issues in respect of related third parties. Outstanding declarations related to Members that are no longer on the City Council but were in the 2011/12 accounting year. The Council will reiterate the importance of obtaining this information
- Issues relating to the coding of income and expenditure. This will be covered as part of the extensive further training with Finance staff, which in turn will allow Finance staff to educate Service staff.

8 Also on the agenda is a draft Letter of Representation which this committee is asked to approve. This is a letter from the Council's Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. The Audit Commission requires this letter before they issue their opinion.

9 Members may be aware that this is the final year that the Audit Commission will be undertaking the audit of the Council's Statement of Accounts. Next year the audit will be undertaken by Ernst and Young. I would pass on my thanks to the Audit Commission for the work that they have undertaken in the past and look forward to a similar relationship with the new auditors when they take over from 1st October 2012.

10 Financial Implications

There are no issues raised during the audit which have an adverse financial impact on the authority.

11 Legal Implications

These are adequately covered within the report

12 Risk Implications

There are no risk implications arising from the recommendations shown in this report.

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