

**To:** Audit & Governance Committee

**Date:** 29 September 2011

**Report of:** Head of Finance

**Title of Report:** Statement of Accounts 2010/11

## **Summary and Recommendations**

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

**Report Approved by:**

**Finance:** Jackie Yates

**Recommendation(s):**

Audit & Governance Committee are recommended to:

a) approve the audited 2010/11 Statement of Accounts and authorise the Director of Finance and Efficiency and Chair of the Committee to sign the Statement of Accounts and

b) approve the Letter of Representation to enable the opinion to be issued.

1. On June 30th the draft 2010/11 financial statements were presented to this Committee and subsequently passed to the Audit Commission for audit.
2. The audit of the statements is now substantially 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
3. The outcome of the report is that the auditor expects to issue an unqualified opinion on the financial statements and an unqualified opinion on our arrangements to secure Value for Money.
4. Attached at Appendix A is a revised set of accounts which incorporates the adjustments required as a consequence of the audit. The revised accounts

include only one change to the main statements, this is an adjustment for disposed assets for a value of £767,000 as detailed below. All other changes are to classifications or disclosure notes. These adjustments include:

- An adjustment for disposed assets (£767,000), two assets that were sold prior to the year end were not disposed of in the Asset Register;
  - Reclassification of an asset from Assets Held for Sale into Surplus Assets;
  - Changes to disclosure notes on Grant Income (note 33, page 65), and Operating Leases (note 36, page 70);
  - A Change to the Cash Flow Statement to include NNDR and Council Tax cash in transit;
  - Changes to Note 12, on page 44, in relation to re-classification of impairment losses and depreciation, originally showing in the line for provision of services and moved to the Revaluation Reserve;
  - Some minor presentational errors.
5. As part of the preparation of the Statements a review and discussion of how the Council has accounted for the deposits placed with Icelandic Banks has taken place. A recent LAAP Bulletin and International Accounting Standard 39 outlined the recommended accounting practice for such deposits, and recommended the reversal of any capitalisation already undertaken. Members will recall that the Council received a capitalisation direction from the Department for Communities and Local Government in 2008/9 and applied it.
- 5 Officers considered the following in determining the best estimate to use for the carrying value of these deposits:
- Accounting Standards - IAS39 and IAS37
  - The latest views from the Glitnir Winding Up Board
  - The issues of Uncertainty
  - Consideration of Risk and Mitigations available.

We concluded that the Council should continue with the level of impairment for all deposits held with Icelandic Banks and not reverse the capitalisation accounting entries. The reason being, that at the time of preparing the financial statements we believe that the risk around upholding the Council's preferential creditor status at appeal is so great that we should not adopt this position and potentially overstate the value of the Council's assets.

- 6 The Audit Commission have stated in their Annual Governance Report that they are comfortable that the explanation we provided supports the Council's best estimate of the liability and is in line with IAS 39.
- 7 The recommendations provided by the auditors include making further improvements to working papers, officers are already considering how best to action this recommendation including providing templates for all officers to complete for all reconciliations and working papers. Further improvements will also be made to the process for agreeing the ledger to the financial statements.
- 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 S151 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.

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**Background papers:** None

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