

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: STRATEGIC DIRECTOR AND HEAD OF FINANCE

REPORT NO: HOF207

DATE: 25th September 2012

TITLE:	Statement of Accounts 2011/12	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Well Run Council Portfolio Holder	
CONTACT OFFICER:	Daren Turner – Strategic Director Corporate Focus. 01476 406301 Email: d.turner@southkesteven.gov.uk Richard Wyles –Head of Finance 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below N/A	Full impact assessment Required: No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF202	

1. RECOMMENDATIONS

It is recommended that Members of the Governance and Audit Committee:

- a. Approve the revised Statement of Accounts 2011/12
- b. Note the commentary on the outcome of the audit work
- c. Approve the publication on the summary of accounts and publish the document on the Council's website

2. PURPOSE OF THE REPORT/DECISION REQUIRED

2.1 The purpose of this report is to present the Council's Statement of Accounts for 2011/12. It covers:

- Account and Audit (England) Regulations 2011
- Section 21(2) Local Government Act 2003
- Revised Statement of Accounts
- Commentary on the outcome of the audit of the Statement of Accounts

3. DETAILS OF REPORT

3.1 Account and Audit Regulations 2011

The Statement of Accounts must be published by 30 September 2012. The District Auditor must complete his audit and issue the relevant audit opinion to ensure the statutory deadline is met. This has been undertaken and his report is a separate item on the agenda.

The purpose of the external audit of the financial statements is to give an opinion on:

- a. whether they present a true and fair view the financial position of the audited body and its expenditure and income for the year in question.
- b. whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Auditors must provide reasonable assurance that, subject to the concept of materiality, the financial statements

- a. are free from material misstatements, whether caused by fraud or other irregularity or error
- b. comply with the statutory and other requirements applicable to the accounts of the audited body, and
- c. comply with all relevant requirements for accounting presentation and disclosure.

3.2 Section 21(2) Local Government Act 2003

Section 21(2) of the Local Government Act 2003 requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2011. The Statement of Accounts which accompanies this report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom

2011/12 based on International Reporting Standards, (the Code) produced by CIPFA¹ which sets out proper accounting practices required for the Statement of Accounts.

3.3 Statement of Accounts 2011/12

The Statement of Accounts was originally presented to this Committee at its meeting on 23rd July 2012 (HOF202 report refers). Following the completion of the external audit the Statement of Accounts has been revised to reflect the outcome of this work and has been updated to reflect members comments made at the meeting. An revised set of accounts is presented on the Committee agenda and a commentary setting out the main findings from the audit (and the subsequent amendments made to the accounts) is provided for members consideration and approval.

3.4 Audit Adjustments

The audit identified three areas of non-compliance with the CIPFA Code of Practice on Local Authority Accounting and these have been corrected in the attached Statement of Accounts. Specifically these items were:

Misclassification of cash equivalent as short term investments: The Treasury Management Investment Strategy sets out a framework that is followed for investment of cash balances. In order to ensure exposure to risk is minimised whilst attracting competitive interest rates, the Council utilises money market funds (MMF's) in addition to the more traditional banking investments. The characteristics of MMF's enables the Council to withdraw funds from them without notice. Therefore in order to comply with the definition of the Code of Practice, the investments should be classified as cash equivalents.

The service expenditure analysis reported in the Comprehensive Income and Expenditure Statement (CIES) now requires a detailed service expenditure analysis. This had been correctly undertaken for the 2011/12 accounts but required a restatement of the 2010/11 for comparative purposes.

The self financing settlement transactions in respect of the HRA had been correctly shown in the main statements but were omitted from the capital financing and capital expenditure note. This omission has now been rectified.

There has been a review undertaken in respect of the explanatory foreword in order to improve its usefulness to the reader. This has now been updated to explain significant variances that have been identified and to provide a detailed overview of the financial year. It is particularly important that the explanatory foreword is helpful to the reader due to the complexity of the accounts.

3.5 Changes to the notes to the Accounts – Overview

The audit work has identified a number of changes that were required to the disclosure notes. Below is a summary listing of the main changes that have been agreed and implemented.

¹ CIPFA – Chartered Institute of Public Finance and Accountancy

Note 1 accounting policies – further explanation of componentisation
 Note 2 change of accounting policy – inclusion of table to show balance sheet impact
 Note 5 pension liability assumption corrected to reflect actuary report
 Notes 8 and 27 adjustments for revaluation and capital expenditure – presentation improvements in respect of impairments
 Note 15 Property, Plant and Equipment – correction of the presentation with respect to the treatment of impairments
 Note 18 Financial instruments – further clarity in the note to aid the reader
 Note 22 – updated following the reclassification of short term investments to cash and cash equivalents
 Note 32 officer remuneration – updated to reflect disclosure requirements
 Note 33 audit costs – updated to reflect breakdown of audit costs
 Note 36 Capital expenditure and capital financing – updated note to include the self financing transactions
 Note 47 – new cash flow note disclosure

3.6 Conclusion

The report and enclosures represents a detailed picture of the changes made to the Statement of Accounts for 2011/12 following the audit work.

I would like to take the opportunity to thank all staff both from Accountancy Services and supporting services for their hard work in producing the Statement of Accounts.

4. OTHER OPTIONS CONSIDERED

Not applicable.

5. RESOURCE IMPLICATIONS

There are no specific financial implications arising from this report.

6. RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
Statutory risk	Statement of accounts compiled in accordance with statutory guidance

7. ISSUES ARISING FROM IMPACT ANALYSIS

None

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENTS OF FINANCIAL SERVICES

These are included in the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

In accordance with the Accounts & Audit regulations 2011 the Statement of Accounts must be approved by the Committee by 30th September 2012. The Committee has the opportunity to review the unaudited Statements prior to the statutory deadline.

11. COMMENTS OF OTHER RELEVANT SERVICES

None

12. APPENDICES: