

	<p style="text-align: center;">Audit Committee Thursday 22 September 2011</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Services</p>
For Action	Wards Affected: ALL
<p style="text-align: center;">Report Title: STATEMENT OF ACCOUNTS 2010/11 AND ANNUAL GOVERNANCE REPORTS</p>	

Forward Plan Ref:

1.0 Summary

- 1.1 Under the Council's Constitution, the Audit Committee has responsibility for approving the annual statement of accounts and considering issues raised by the external auditors.
- 1.2 The basis for this consideration is the Annual Governance Report which the Council's external auditors, the Audit Commission, produce following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. A separate Annual Governance Report has been produced for the Pension Fund accounts and this will also be considered by the Pension Fund Sub-Committee.
- 1.3 The Audit Commission are in the process of completing the audit of the 2010/11 accounts and the draft Annual Governance Reports, reflecting the current position, are attached to this report. Representatives from the Audit Commission will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

2.0 Recommendations

The Committee is asked to:

- 2.1 Consider the Annual Governance Reports from the Audit Commission and the letters of representation to the Audit Commission
- 2.2 Approve the Statement of Accounts for publication

3.0 Detail

Statement of Accounts

- 3.1 The process for producing the statement of accounts for 2010/11 has been considerably more complex than in previous years for a number of reasons.
- 3.2 Firstly, the fundamental change in the Council's financial processes has required a migration of financial information from multiple disparate systems previously in place to a single Council-wide system. Whilst the Council will undoubtedly benefit from this change in future years there has been an impact in the short term in the volume of work and reconciliations to both produce the accounts and to complete the audit process.
- 3.3 In addition, the Finance Modernisation project resulted in a significant reduction in team numbers and a fundamental shift away from producing accounts locally in directorates to production via a central team. This has entailed the learning of new roles and responsibilities and a degree of unfamiliarity as team members become fully operational on their new roles.
- 3.4 Further, during 2010/11 the Council completed the mandatory transition of its accounting statements to comply with International Financial Reporting Standards (IFRS). These international standards govern the way financial transactions are brought into account and how they are reported. The transition has affected both the appearance of the Council's accounts and reported balances.
- 3.5 In complying with the transition to IFRS, the Council has had to revisit and restate the financial statements it published for 2009/10. The Balance Sheet published as at 31 March 2009 has also been restated. This was necessary in order to present users of the accounts with meaningful comparative information and required a considerable amount of additional work.
- 3.6 As a result of IFRS, there are many changes to the appearance of the accounts including additional, or expanded, disclosure notes, titles and descriptive terms have also changed
- 3.7 The timetable for the production and audit of accounts is tight in any normal year but the combination of all of the above factors has made the 2011/12 process particularly problematic. However, the investment of time and effort now will enable significant improvements in future with consequent reductions

in audit fees.

- 3.8 On 30 June 2011 The Director of Finance and Corporate Services formally approved the draft Statement of Accounts, in line with the Accounts and Audit Regulations. The audit of accounts commenced in July and the draft Annual Governance Reports set out the key findings from the Audit Commission's work to date.

Publication of Statement of Accounts

- 3.9 The Council is required to publish the 2010/11 accounts by 30 September 2011. The statement of accounts attached to this report incorporates the changes agreed with the Audit Commission to date and it is proposed that this set of accounts is published on the Council's website.
- 3.10 Once the auditors have completed their work, a Letter of Representation (Appendix 4 of the Annual Governance Report) needs to be signed prior to the Audit Commission issuing an audit opinion.
- 3.11 The final Annual Governance Report will be reported to members of the Audit Committee. Any significant audit matters that arise in the completion of the audit will be reported to the Committee.

4.0 Financial Implications

- 4.1 There have been some adjustments to the Statement of Accounts during the course of the audit but for the most part these are changes to balance sheet items and notes to the accounts which have no impact the Council's overall financial position or level of available reserves.

5.0 Legal Implications

- 5.1 No specific implications.

6.0 Diversity Implications

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

7.0 Staffing Implications

- 7.1 No specific implications.

8.0 Background Information

- 8.1 Accounts and Audit Regulations 2011

9.0 Contact Officer

Any person wishing to inspect these documents should contact Max Gray,
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CLIVE HEAPHY
Director of Finance and Corporate Services