### Title: Approval of the Statement of Accounts 2011/12

**Report of:** Tracie Evans, Corporate Director of Finance and Resources

<table>
<thead>
<tr>
<th>Open</th>
<th>For Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wards Affected: None</td>
<td>Key Decision: No</td>
</tr>
</tbody>
</table>

**Report Author:** Kathy Freeman
Group Manager – Corporate Finance

**Contact Details:**
Tel: 020 8 227 3497
E-mail: Kathy.freeman@lbld.gov.uk

**Accountable Divisional Director:** Jonathan Bunt, Divisional Director of Finance

**Accountable Director:** Tracie Evans, Corporate Director of Finance

### Summary:

The Council’s draft accounts were approved by the Section 151 Officer in June 2012 and have been subjected to audit by the Audit Commission. Members scrutinised the accounts at their meeting on 27 June 2012 and following the audit, the accounts have been brought to this committee for their consideration and review prior to publication by 30 September 2012.

At the date preparing this report (17 September 2012), the District Auditor is proposing to issue an unqualified audit opinion for the Statement of Accounts, including the Pension Fund.

### Recommendation(s):

The Public Accounts and Audit Select Committee is recommended to:

- Review and approve the Statement of Accounts for the year ended 31 March 2012.

- In order to comply with the Council’s statutory obligations, confirm that the Statement of Accounts for the year ended 31 March 2012 can be published by 30 September 2012.

### Reason(s):

It is a statutory obligation for the Council’s Statement of Accounts to be produced and audited in accordance with the timetable as set out in the Audit and Accounts Regulations 2011.
1. Background

1.1 The publication of the Statement of Accounts is governed by the requirements of the Accounts and Audit Regulations 2011. These require the Statement of Accounts to be certified by the Council’s Section 151 Local Government Act 1972 Officer (Corporate Director of Finance and Resources) as presenting a true and fair view of the financial position of the Council by the 30 June of each year and then submitted for external audit in order to publish audited accounts by no later than the 30 September of the same year.

2 Audit of Accounts

2.1 Since the pre-audit Accounts were presented to this committee at its meeting on 27 June 2012 they have been subject to a rigorous review by the Audit Commission. At the time of preparing this report, the audit was still being finalised, but the District Auditor is planning to issue an unqualified opinion, subject to the satisfactory clearance of outstanding matters. A verbal update will be given at this meeting and the District Auditor will also present his Annual Governance Report on the Accounts and Pension Fund.

2.2 In compliance with the Accounts and Audit regulations, the Accounts were made available for public inspection for 20 days during the audit. This period concluded on 13 August, when electors were able to question the auditor. No questions were received by the District Auditor on this day.

2.3 During the audit of the main statements, no material errors were identified. One non-material error was identified that resulted in a change to the Comprehensive Income and Expenditure Statement (CIES), with consequent adjustments to the Movement in Reserves and Cashflow Statements. The error related to £1.237m of revaluation losses that had been allocated to the revaluation reserve without first being charged to services. Whilst this increases the net cost of services, the deficit on the revaluation of assets line of the CIES is reduced by a similar amount, meaning that there is no effect on the bottom line.

2.4 It should be noted that the financial position shown in the core accounting statements remains unchanged from the position that was advised to this committee at its 27 June meeting. In particular this showed that the General Fund balance had increased from £10.8m to £14.3m.

2.5 There were also a number of adjustments to the notes to the accounts. They related mainly to presentational issues and ensured that the Council complied with technical accounting regulations, specifically International Financial Reporting Standards. The table in Appendix 1 sets out the main amendments to the Accounts and the audited accounts are included as Appendix 2.

2.6 The small number of changes required to the Accounts indicates an
improvement in the system of financial control and the robustness of financial information within the organisation.

2.7 Whilst the audit of the accounts is substantially complete, the District Auditor will continue the audit up to the date of the committee meeting and may possibly identify further adjustments. The District Auditor will provide the committee with the audit findings in a separate report setting out the key issues identified during the course of the audit. Responses to the report’s recommendations will be given at the committee meeting.

3 Pension Fund

3.1 The Pension Fund Accounts have been adjusted to reflect three errors identified during the audit, none of which were classed as material. Two of the errors relate to timing differences in accounting for transfers out of the fund and the third relates to accounting for dividend income that may not now be received. The net effect of these errors was to decrease net assets by £102k. Details of the errors are shown in Appendix 1.

3.2 A number of amendments were made to the notes to the Pension Fund accounts. Only one was material, regarding asset classification and there was no impact on net assets.

4. Annual Governance Statement (AGS)

4.1 The AGS (pages 8-17) has also been updated from that considered by this committee on 27 June. Further information on the Council’s partnership arrangements has been added and updated information on the Audit Commission’s audit of grants has been included.

5. Management Representation Letter

5.1 It is a requirement of external audit that the S151 Officer signs a letter of representation confirming that she has the responsibility for the proper administration of the financial affairs of the authority and that the duties that this entails have been undertaken. The draft letter is included as an appendix in the Audit Commission’s Annual Governance Report and will be signed nearer to the date of approval of the accounts.

6. Publication of the Statement of Accounts

6.1 If the recommendation to approve the Accounts is agreed by this committee the District Auditor will be able to provide his formal opinion on the accounts and formally conclude the audit. The accounts will then be placed on the Council’s website and notice of the conclusion of the audit will be given in the local press.

7. Financial implications

7.1 These have been addressed in the body of the report
8. **Legal Implications**

8.1 The Audit Commission Act 1988 requires that the Council as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit (England) Regulations 2011. Regulation 8 sets out a timetable and requires certification by the Council’s responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation.

9. **Appendices**

   1. List of changes to the Statement of Accounts
   2. Audited statement of Accounts 2011/12
## Appendix 1

### Schedule of Changes to the Statement of Accounts

<table>
<thead>
<tr>
<th>Amend. No.</th>
<th>Amount £’000</th>
<th>Main Amended</th>
<th>Explanatory Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,237</td>
<td>• Comprehensive Income and Expenditure Account</td>
<td>• Matching movement between cost of service line and surplus / deficit on asset revaluation line – no net effect on bottom line</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Movement in Reserves Statement</td>
<td>• Matching movement between surplus on provision of services line and other comprehensive income and expenditure line – no net effect on bottom line</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cash Flow Statement</td>
<td>• Matching movement between surplus on provision of services line and adjustment for non-cash movements line – no net effect on bottom line</td>
</tr>
<tr>
<td>2</td>
<td>229</td>
<td>Pension Fund Account &amp; Net Assets Statement</td>
<td>The opening balance for transfers out had been understated</td>
</tr>
<tr>
<td>3</td>
<td>(373)</td>
<td>Pension Fund Account &amp; Net Assets Statement</td>
<td>The closing balance for transfers out had been overstated</td>
</tr>
<tr>
<td>4</td>
<td>247</td>
<td>Pension Fund Account &amp; Net Assets Statement</td>
<td>Income that may not be receivable has been excluded from the accounts</td>
</tr>
</tbody>
</table>