

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **21 JUNE 2011**

SUBJECT: **STATEMENT OF ACCOUNTS 2010/11**

REPORT FROM: **DEPUTY LEADER OF THE COUNCIL AND EXECUTIVE MEMBER FOR FINANCE**

CONTACT OFFICER: **STEVE KENYON, ASSISTANT DIRECTOR OF RESOURCES (FINANCE & EFFICIENCY)**

TYPE OF DECISION: **COUNCIL**

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The report provides Members with details of the Authority's Statement of Accounts for the financial year ended 31 March 2011.

Members are asked to note that the Accounts have been prepared in accordance with the statutory deadline for 2010/11 and have been signed off by the Authority's Responsible Finance Officer (see par. 1.1).

A presentation will be made at the meeting that provides an interpretation of the accounts and will highlight the key issues that Members need to be made aware of. This will be accompanied by an Explanatory Note covering the points made in the presentation.

A copy of the pre-audited accounts will be placed on the Internet for viewing. In order to make the accounts easier to understand, a summary of the pre-audited accounts will also be available for viewing.

OPTIONS & RECOMMENDED OPTION Members are asked to note the Statement of Accounts for the 2010/11 financial year which have to be signed off by 30 June by the Council's Responsible Finance Officer in line with the provisions of the Accounts and Audit Regulations 2003 (as amended by the 2011 Regulations).

IMPLICATIONS:**Corporate Aims/Policy Framework:**

Do the proposals accord with the Policy Framework? Yes

Financial Implications and Risk Considerations:

See statement below.

Statement by Assistant Director of Resources (Finance and Efficiency):

The Statement of Accounts reflects the Authority's financial performance during 2010/11 and helps to shape budget strategy in future years.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

Yes

Are there any legal implications?

Yes. The production of the Authority's statutory accounts is a requirement of the Local Government Act 1972 and has been undertaken in compliance therewith and the Council's Financial Regulations (Financial Regulation A: Financial Management: 3.8.5). The report accords with the Council's Policy and Budget Framework and has been produced in accordance with all relevant Statutory Guidance and Codes of Practice.

Staffing/ICT/Property:

No specific implications

Wards Affected:

All

Scrutiny Interest:

Scrutiny Committee (Internal)

TRACKING/PROCESS**DIRECTOR: Steve Kenyon**

Chief Executive/ Strategic Leadership Team	Executive Member/Chair	Ward Members	Partners
Yes	Yes		
Scrutiny Committee		Committee	Council
		Audit	

1.0 INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit Regulations 2003 each year the Authority is required to produce, and have approved, the Statement of Accounts before 30 June following the Balance Sheet date.

- 1.2 The 2011 Accounts and Audit Regulations, issued by the Government on 31 March 2011, stipulated that this year the pre-audited accounts must be approved on or before 30 June by the Responsible Finance Officer (S151 Officer) in place of the Chair of the Audit Committee although the accounts will still be presented to audit committee before the 30 June. For Bury Council the Responsible Finance Officer is the Assistant Director of Resources (Finance and Efficiency).
- 1.3 Additionally the revised regulations stipulate that the Annual Governance Statement which used to be included as part of the Statement of Accounts is now to be published as a separate document to accompany the accounts.
- 1.4 Once the Accounts have been approved they are subject to audit by, in our case, KPMG and a final copy of the Accounts containing the auditor's certificate and opinion must then be published on or before the statutory publication date 30 September. The Chair of the Audit Committee will continue to be responsible for approving the final, audited Statement of Accounts.
- 1.5 The 2010/11 Statement of Accounts has been prepared in accordance with the statutory deadline for this year and 2010/11 is also the first year that the accounts have been prepared in accordance with International Financial Reporting Standards (IFRS's).
- 1.6 During the audit process the Accounts are 'placed on deposit' for 20 working days and during this time they are available for inspection by members of the public. At the end of this period the auditor is available for questioning by the public. This matter, and the dates on which the Accounts are on deposit, is advertised in the local press and for Members' information the 2010/11 Accounts will be available for inspection at Bury Town Hall between 30th June and 29th July (during normal office hours; contact the Assistant Director of Resources (Finance & Efficiency) on 0161 253 6922).
- 1.7 The figures shown within the Statement of Accounts correspond with the results which will be reported within the Corporate Revenue, Capital and Treasury Management Outturn Reports. These will be considered by the Executive on 13 July 2011 and the Scrutiny Committee (Internal) on 30 August 2011 and will contain details of the Council's financial performance against budget and make recommendations on the application of carry-forward requests into 2011/2012 together with their impact on the use of General Fund balances.
- 1.8 Decisions will then be reported back to Audit Committee on 25 August 2011 when the audited Statement of Accounts is presented for approval by the Chair of the Audit Committee.

2.0 THE FORMAT OF THE ACCOUNTS

- 2.1 The Statement of Accounts is attached at Appendix A and it contains the following financial statements:-
 - § An Introduction by the Deputy Leader of the Council and Executive Member for Finance
 - § An Explanatory Foreword
 - § Summary of the Council's Financial Results
 - § Statement of Responsibilities
 - § Accounting Policies
 - § Core Financial Statements

- § Movement In Reserves Statement
- § The Comprehensive Income and Expenditure Statement
- § Balance Sheet
- § Cash Flow Statement
- § Notes to the Core Financial Statements
- § The Housing Revenue Account
- § The Collection Fund
- § Group Accounts

- 2.2 A brief explanation of the purpose of these statements is given in the Explanatory Foreword on page 15 of the Accounts.
- 2.3 The figures shown in the various Statements are presented subject to audit.
- 2.4 The format and contents of the Accounts are laid down in regulations and in the Code of Practice on Local Authority Accounting incorporating IFRS which we are required to follow. As a result the Authority has little or no discretion over what is shown.
- 2.5 The Council has continued to investigate ways in which the Accounts can be made more accessible to the community at large, especially through the use of plain English, summary information and through the internet. Similar to previous years, the 2010/11 Accounts can be translated into 5 different languages if required and can be made available in Braille and large print.
- 2.6 Following ongoing consultation with members of the public during 2010/11, a quick and easy summary format of the accounts in order to make the accounts easier to understand and more informative, will continue to be provided, together with a feedback questionnaire to help make improvements to the document. These will again be placed on the Council's website and this facility will again be advertised in the local press. We will ensure that the Accounts continue to be presented in the professional format adopted last year on conclusion of the audit.
- 2.7 Attached also is an aide memoir that has been designed to help provide evidence to Members that a robust preparation and review of the accounts has been carried out. Members' comments on this are welcomed.

3.0 AUDIT CONSIDERATIONS

- 3.1 For the 2010/11 financial year there is the continuation in the responsibilities of auditors in relation to any misstatements that they discover in the course of their work. Under International Standard of Auditing (UK and Ireland) (ISA (UK+I)) 330, auditors plan and perform their audit to provide reasonable assurance that the financial statements are free from material misstatement.
- 3.2 However, in carrying out their work, they will also happen across other misstatements and omissions that are not material. ISA (UK+I) 260 "*Communication of Audit Matters with those Charged with Governance*" requires auditors to report to Members **all** misstatements that have been advised to officers but not adjusted for.
- 3.3 Any misstatements will be reported at the meeting of the Audit Committee on 25th August following the completion of the audit.

4.0 TECHNICAL CHANGES

4.1 The main changes that have impacted on the Accounts for 2010/11 are:

The first time adoption of International Financial Reporting Standards (IFRS). Within Bury Council and the rest of local government work has been ongoing over the past year or so to prepare for their implementation. The requirement for local government to adopt IFRS from 2010/11 was made by the then-Government in 2007. Other government bodies including central government, NHS Trusts, Primary Care Trusts and NHS Foundation Trusts were required to adopt IFRS from 2009/2010. Those areas that are particularly affected are highlighted below:

Grants and contributions for capital purposes to be recognised as income immediately rather than being deferred and released to revenue to match depreciation

The **main financial statements have changed** and there is an additional requirement regarding **segment reporting; disclosure notes** have also changed.

There is a greater emphasis on **component accounting** and a greater emphasis on derecognising parts of an asset that are replaced.

Property leases are classified and accounted for as separate leases of land and buildings. Local authorities have also needed to assess whether other arrangements contain the substance of a lease.

Investment properties are measured at fair value, with gains and losses recognised in the Surplus or Deficit rather than through the Revaluation Reserve.

Impairment losses to be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to that specific asset.

There is a new classification of **non-current assets held for sale.**

Provisions have been classified between long and short term.

All **employee benefits** are accounted for as they are earned by the employee. This will require accruals for items such as **holiday pay.**

The definition **of associates** is based on the ability to control rather than actual control and may lead to a change in the group boundary definition.

Councillor John Smith

Deputy Leader of the Council and Executive Member for Finance

Background documents:

Various final accounts working papers held in the files of the Head of Financial Management.

For further information on the details of this report, please contact:

Steve Kenyon, Assistant Director of Resources (Finance and Efficiency), tel 0161 253 6922, email: S.kenyon@bury.gov.uk