

# REPORT FOR DECISION

**MEETING:** **AUDIT COMMITTEE**

**DATE:** **25 AUGUST 2011**

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

**REPORT FROM:** **ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)**

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

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**TYPE OF DECISION:** **COUNCIL**

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

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**SUMMARY:** The pre-audited 2010/11 Statement of Accounts, for the financial year ending 31 March 2011, was approved by the Responsible Finance Officer on 21 June 2011 and presented to members of Audit Committee for their information and to provide the opportunity to have early sight of the accounts. The accounts have now been audited and Members are asked to note:

No audit adjustments have been identified that have an impact on the Council's revenue, capital or HRA outturn for 2010/11 i.e. no bottom line adjustments;

Only 3 technical adjustments have been identified;

No priority one recommendations have been made;

The quality of the Council's accounts and working papers have remained at a high level;

For the second year running the Council is able to present its audited accounts to Members one month earlier than the statutory deadline and KPMG are to be thanked for their part in achieving this;

A notice will be placed advertising the completion of the audit and how members of the public can access copies of the statement and summary of accounts.

This report is to be considered along with the ISA (UK+I)

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260 "Communication of Audit Matters with those Charged with Governance" report which will be presented by KPMG as part of this meeting.

**OPTIONS &  
RECOMMENDED OPTION**

Members are recommended to:

Approve the 3 technical amendments to the Accounts recommended by KPMG;

Approve the final version of the Statement of Accounts for the 2010/11 financial year in line with the provisions of the Accounts and Audit Regulations (England) 2011 which have replaced the 2003 regulations;

Note the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement report (also on the agenda) presented by KPMG;

Approve the letter of representation signed by the Assistant Director of Resources (Finance and Efficiency) which will be presented at the meeting of the Audit Committee.

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**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

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**TRACKING/PROCESS****DIRECTOR: Mike Owen**

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 (England) 2011 (which have replaced the 2003 Regulations) 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 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 of 30 September.
- 1.3 The 2010/11 draft Accounts were approved by the Responsible Finance Officer (Section 151 Officer) on 21<sup>st</sup> June 2011 and also presented to Audit Committee at their meeting on the same date. For Bury Council the Responsible Finance Officer is the Assistant Director of Resources (Finance and Efficiency).
- 1.4 For the 2010/11 financial year there is the continuation of the important development 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.
- 1.5 However, in carrying out their work, they will also happen across other misstatements/omissions that are not material and 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.
- 1.6 It was highlighted at the Audit Committee meeting on 21 June that any misstatements and matters / issues arising would be communicated at this meeting of the Audit Committee following completion of the audit.
- 1.7 The principal purposes of the communication with Members are for the auditors to ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of the auditors and Members; to share information to assist both the auditors and Members to fulfil their respective responsibilities; and to provide Members with constructive observations arising from the audit process.

## 2.0 AMENDMENTS TO THE ACCOUNTS

- 2.1 KPMG (the auditors) have identified and recommended 3 technical amendments to the Accounts that were approved on 22 June that have **no impact on the Council's revenue, capital or HRA outturn** i.e. no bottom line adjustments. These have been highlighted in KPMG's ISA260 report and have changed the Comprehensive Income and Expenditure Statement and Balance Sheet on pages 29 to 31 of the audited accounts which are attached at Appendix A to this report.
- 2.2 Having discussed the suggested amendments with the auditors I am happy to agree to their inclusion within the Accounts. **Members are therefore recommended to approve these Accounts.**
- 2.3 In the last few years the Council has made continuous improvements to the accounts closure process in terms of its preparation and application and the results of this can be seen in a consistently good performance in terms of a reduced number of both audit adjustments and recommendations as reported in the ISA260:

	<b>2010/ 11</b>	<b>2009/ 10</b>	<b>2008/ 09</b>	<b>2007/ 08</b>	<b>2006/ 07</b>	<b>2005/ 06</b>
Audit Adjustments	<b>3</b>	0	0	4	7	10
Recommendations	<b>10</b>	0	3	1	5	7
Recommendations outstanding from previous years	<b>0</b>	1	0	1	5	-

- 2.4 This has been an unprecedented year with the full adoption of International Financial Reporting Standards (IFRS) and major changes to accounting policies that affected the areas of capital and revenue accounting, leasing, employee benefits and new financial reporting statements and disclosure notes. It is, therefore, a testament to the quality of the work undertaken by the authority's finance and accountancy staff and to the quality of advice provided by KPMG now and in the past that only 3 technical amendments have been identified.
- 2.5 The Committee should also note that no audit matters of governance have been identified by KPMG.
- 2.6 Additionally, Members are asked to note that 10 recommendations have been made for 2010/11. The one recommendation outstanding from previous years has now been resolved. Actions will be put in place to address the recommendations made in 2010/11.

## 3.0 MANAGEMENT LETTER

- 3.1 The authority is required by Auditing Standards to provide the auditor with written representations from management in respect of related party disclosures, compliance with laws and regulations, the accuracy of the financial statements, unadjusted audit differences, fraud and fair value measurements

and disclosures. In addition the auditors also seek management representations in relation to contingent liabilities, post balance sheet events.

- 3.2 In a local government context it is appropriate for management representations to be discussed and approved by the full Council, the Audit Committee or any other committee which has been given delegated responsibility for approval of the financial statements under the Accounts and Audit Regulations (England) 2011. In Bury's case this is the Audit Committee and a letter of representation signed by the Assistant Director of Resources (Finance and Efficiency) and will require approval by Audit Committee.

#### **4.0 ISSUES**

- 4.1 In the draft Statement of Accounts I referred to the fact that decisions regarding the directorate requests for carry-forwards would be made following the Audit Committee meeting on 21 June.
- 4.2 On 13 July the Executive decided that no cash ceiling adjustments were approved; requests to carry forward uncommitted underspendings (earmarked and under the 1% rule) were refused and the overspending on the Children's and Adult Care Services budgets were not carried forward. This reflects the position as set out in the draft Accounts.
- 4.3 Finally, I would like to thank all the staff involved in the achievement of the deadline for the close down process and pay tribute to the professional, diligent and courteous manner in which the auditors KPMG have discharged their duties.

**STEVE KENYON**  
**ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)**

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***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:***

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