

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **23 AUGUST 2012**

SUBJECT: **STATEMENT OF ACCOUNTS 2011/12**

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

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

TYPE OF DECISION: **COUNCIL**

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

SUMMARY: The pre-audited 2011/12 Statement of Accounts, for the financial year ending 31 March 2012, was approved by the Responsible Finance Officer on 26 June 2012 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 2011/12 i.e. no bottom line adjustments;

Only 1 retrospective technical adjustment has been identified;

Only one recommendation has been made and this has been classified as low risk by the auditors;

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

For the third 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) 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 1 technical amendment to the Accounts recommended by KPMG;

Approve the final version of the Statement of Accounts for the 2011/12 financial year in line with the provisions of the Accounts and Audit Regulations (England) 2011;

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.

IMPLICATIONS:

Corporate Aims/Policy Framework:

Do the proposals accord with the Policy Framework? Yes

Statement by the Assistant Director of Resources (Finance & Efficiency):

The Statement of Accounts reflects the Authority's financial performance during 2011/12 and helps to shape budget strategy in future years.

Statement by Executive Director of Resources:

There are no wider resource implications.

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:

Overview & Scrutiny Committee

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

1.0 INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit Regulations (England) 2011 each year the Authority is required to produce the Statement of Accounts before 30 June following the Balance Sheet date. The accounts are approved at this stage by the Responsible Finance Officer.
- 1.2 Once the draft 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 approved by Audit Committee before being published on or before the statutory publication date of 30 September.
- 1.3 The 2011/12 draft Accounts were approved by the Responsible Finance Officer (Section 151 Officer) on 26 June 2012 and also presented to Audit Committee at their meeting on the same date for information purposes. For Bury Council the Responsible Finance Officer is the Assistant Director of Resources (Finance and Efficiency).
- 1.4 For the 2011/12 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 26 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 1 technical amendment to the Accounts that were approved on 22 June and this has **no impact on the Council's revenue, capital or HRA outturn** i.e. no bottom line adjustments.
- 2.2 This amendment has been highlighted in KPMG's ISA260 report and has changed the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Balance Sheet on pages 28 to 32 of the audited accounts which are attached to this report. It has also changed the Prior Year Adjustment Note (page 52), Revaluation Reserve Note (page 91) and the Group Accounts Statements on pages 121 to 125.
- 2.3 Paper copies highlighting the relevant changes will be provided to Members at the meeting.
- 2.4 Having discussed the suggested amendment with the auditors I am happy to agree to their inclusion within the Accounts. **Members are therefore recommended to approve these Accounts.**
- 2.5 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:

	2011/ 12	2010/ 11	2009/ 10	2008/ 09	2007/ 08	2006/ 07
Audit Adjustments	1	3	0	0	4	7
Recommendations	1	10	0	3	1	5
Recommendations outstanding from previous years	1	0	1	0	1	5

- 2.6 The Committee should also note that no audit matters of governance have been identified by KPMG.
- 2.7 Additionally, Members are asked to note that only 1 recommendation has been made for 2011/12 and this has been categorised as low risk by the auditors. Of the 10 recommendations made in 2010/11 only one remains outstanding and actions will be put in place to address this in the current financial year.

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) 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 26 June.
- 4.2 On 11 July the Cabinet decided that no cash ceiling adjustments were approved; 2 carry forward requests from EDS were approved and the overspending on the Children's, Housing and Chief Executive's budgets were not carried forward. This reflects the position as set out in the 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)

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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