

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>28<sup>TH</sup> JUNE 2011</b>
<b>TITLE OF REPORT:</b>	<b>STATEMENT OF ACCOUNTS</b>
<b>PORTFOLIO AREA:</b>	<b>CORPORATE SERVICES AND EDUCATION</b>

### **Wards Affected**

None affected.

### **Purpose**

To report to the Audit and Governance Committee on the 2010/11 Statement of Accounts.

### **Recommendation**

**THAT the Audit and Governance Committee note the report.**

### **Key Points Summary**

The council is required to produce a statement of accounts in accordance with legal and accounting requirements, which have to be certified by the Chief Finance and Commercial Officer by 30<sup>th</sup> June. The statement is a technical document setting out the council's financial accounting information. Management accounting information is reported to Cabinet and Scrutiny committees throughout the year and the out-turn position will be reported to Cabinet on 30<sup>th</sup> June.2011. There have been significant changes to the accounting requirements for the statement of accounts in 2010/11.

Herefordshire Council's Statement of Accounts 2010/11, which have been certified by the Chief Finance and Commercial Officer are attached at Appendix A.

### **Alternative Options**

1. There are no Alternative Options as all councils are required to produce a statutory statement of accounts.

### **Reasons for Recommendations**

2. Not applicable.

### **Introduction and Background**

- 3 The purpose of the statement of accounts is to give electors, members, employees and other interested parties (including the Audit Commission) clear information about the council's finances.
- 4 The statement has been drawn up in accordance with the Accounts and Audit Regulations 2011, and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom

Further information on the subject of this report is available from  
Heather Foster, Head of Corporate Finance on 01432 260284

(the Code). The Code consolidates the statutory requirements and accounting standards that the council is legally required to follow.

5. The revenue and capital out-turn position compared to budget will be reported to Cabinet on 30<sup>th</sup> June 2011 and a summary of the position is included in the explanatory foreword to the Statements.
6. The focus of the formal Statement of Accounts is the financial accounting and external reporting requirements of the council, which the Audit and Governance Committee will consider and approve by 30<sup>th</sup> September 2011.

## **Key Considerations**

### **Accounts and Audit Regulations 2011**

7. The Accounts and Audit Regulations 2011 came into force on 31 March 2011 and specify the arrangements for the preparation, approval and audit of these statements.
8. Under these regulations, council's must prepare a statement of accounts in accordance with 'proper practices', which must be certified by the responsible financial officer by 30<sup>th</sup> June. The responsible officer for Herefordshire Council is the Chief Finance and Commercial Officer, who has signed and certified the statement of accounts attached as Appendix A.
9. The statement of accounts must be considered and approved by a committee of the authority, before 30<sup>th</sup> September, after members have been made aware of the findings of the audit of the statements by appointed external auditors (the Audit Commission in Herefordshire's case). The Audit and Governance Committee fulfils this role for Herefordshire Council and a meeting will be arranged in September for the committee to consider and approve the statements.
10. These arrangements are new for the 2010/11 accounts. The 2011 regulations replaced the Accounts and Audit Regulations 2003, under which the accounts had to be approved by a committee of the council by 30<sup>th</sup> June.
11. Councils are required to publish their accounts by 30<sup>th</sup> September, although it is considered good practice to publish the accounts on the website once they are certified by the responsible finance officer. The council will be publishing the pre-audited statement of accounts on the council's website.

### **Code of Practice on Local Authority Accounting in the United Kingdom (the Code)**

12. In preparing the statutory statement of accounts the council is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) produced by the Chartered Institute of Finance and Accountancy (CIPFA). This constitutes 'proper practice' in relation to the accounts.
13. The statutory accounts are intended to give electors, members of the authority, employees and other interested parties clear information about the council's finances. In reality they are long, technical documents, whose contents are heavily prescribed by the Code. The key points will be explained at the September meeting of the Audit and Governance Committee meeting to facilitate members to consider and approve the accounts.
14. For the first time in 2010/11 the Code is based on International Financial Reporting Standards (IFRS) and the council is required to produce IFRS compliant accounts from 2010/11, with restated comparative data for 2009/10. IFRS is a significant change to the way that accounts

are prepared and regular progress reports on the implementation of IFRS have been presented to the Audit and Corporate Governance Committee meetings. The deadlines have been achieved and the 2010/11 statement of accounts, including restated 2009/10 comparative figures, meet the requirements of IFRS.

## **2010/11 Financial Position**

- 15 The final out-turn position for the 2010/11 accounts will be presented to Cabinet on 30<sup>th</sup> June 2011 and the key points are as follows:
- The council delivered a balanced budget for 2010/11. The overall position includes the management of reserves and other central budgets. A summary is included in the explanatory foreword to the statement of accounts (see Appendix A)
  - The General Fund working balance is at the predicted level of £6.4m. Specific earmarked reserves total £17.9m of which £6m is ring-fenced schools reserves. Details of the reserves are included in the notes to the accounts.
  - The capital outturn totalled £70.3m, which was funded by borrowing of £20.4m, capital receipts reserve of £8.9m, revenue funding of £0.5m and grants of £40.5m.
- 16 The formal Statement of Accounts, attached as Appendix A, satisfy the financial accounting and external reporting requirements of the council, which the Audit and Governance Committee will consider and approve by 30<sup>th</sup> September 2011.

## **Community Impact**

17. Not applicable.

## **Financial Implications**

18. As set out in the report

## **Legal Implications**

11. The requirement for the responsible finance officer to certify the statement of accounts by end of June is a legal requirement

## **Risk Management**

12. A detailed timetable is produced to ensure that the statutory deadline is achieved.
13. If IFRS is not interpreted correctly in the council's accounts and implemented in accordance with the required timetable it would impact on the Auditor's opinion on the accounts. The management of this identified risk was by attendance of staff on relevant training courses.
14. Progress on the project for implementing IFRS into the 2010/11 statement of accounts was reported regularly to the Audit and Governance Committee.
15. Further risk management activity is addressed by providing high quality working papers and officer time to help external auditors form an appropriate judgement on the statement of accounts by 30 September 2011.

## **Consultees**

15. None.

## **Appendices**

16. Appendix A – Draft Statement of Accounts

## **Background Papers**

17. Accounts and Audit Regulations 2011.