

# Cheltenham Borough Council

Council 10 October 2011

## Statement of Accounts (including Annual Governance Statement) 2010/11

### Report of the Chair of the Audit Committee

<b>Accountable member</b>	<b>Cabinet Member for Community Development and Finance</b>
<b>Accountable officer</b>	<b>Director of Resources, Mark Sheldon</b>
<b>Accountable scrutiny committee</b>	<b>Audit Committee</b>
<b>Ward(s) affected</b>	
<b>Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	The purpose of this report is to notify Council of the deliberations and decisions made by the Audit Committee in its review of the council's Statement of Accounts for 2010/11.
<b>Recommendations</b>	<b>I therefore recommend that Council note the decision of the Audit Committee to approve the Statement of Accounts for 2010/11, including the Annual Governance Statement, and note that, as Chair of that Committee, I have signed the accounts to formally signify their approval by the Council.</b>

<b>Financial implications</b>	None <b>Contact officer: Mark Sheldon</b> <b>E-mail: mark.sheldon@cheltenham.gov.uk</b> <b>Tel no: 01242 264123</b>
<b>Legal implications</b>	This report adopts relevant guidance issued in the Accounts and Audit Regulations 2003 and 2011. <b>Contact officer: Peter Lewis</b> <b>E-mail: Peter.Lewis@tewkesbury.gov.uk</b> <b>Tel no: 01684 272012</b>
<b>HR implications (including learning and organisational development)</b>	None <b>Contact officer: , @cheltenham.gov.uk, 01242</b>
<b>Key risks</b>	There are no risks arising from this report which need to be brought to the attention of members.

<b>Corporate and community plan Implications</b>	None identified.
<b>Environmental and climate change implications</b>	None identified.

## **1. Introduction**

- 1.1** The Accounts and Audit Regulations 2011 require the council to prepare an annual statement of accounts by 30 June of each year. The Section 151 Officer must sign and date the draft statement of accounts, and certify that they present a true and fair view of the financial position of the council. There should then be a period of public inspection of the accounts of 20 working days, for which public notice of at least 14 days must be given.
- 1.2** The Regulations then require that the draft accounts be audited and for the audited statement of accounts to be considered and approved by way of a council committee by 30 September, following the year end. The Section 151 Officer must re-certify the audited statement of accounts prior to this meeting. Following approval by the committee, the statement of accounts is to be signed and dated by the person presiding at the meeting.
- 1.3** At its meeting on 28 June 2010 Council delegated authority to the Audit Committee to review and approve the audited statement of accounts.
- 1.4** The Audit Committee review specifically considers whether appropriate accounting policies have been followed, the conclusion of the audit of the statements, and whether there are any issues that need to be brought to the attention of the Council. The Committee also considers whether the Annual Governance Statement fairly reflects the arrangements within the council and whether the suggested action plan will address any significant governance issues.

## **2. Background**

- 2.1** The draft Statement of Accounts was signed by the Section 151 Officer on 30 June 2011. The public inspection period operated from 12 July to 8 August 2011 and a public notice to that effect was placed in the Gloucestershire Echo on 15 June 2011.
- 2.2** The accounts were audited during July and August 2011 and the Section 151 Officer signed the audited accounts on 13 September 2011.
- 2.3** The Audit Committee considered the Statement of Accounts for 2010/11, together with the auditor's Report to those charged with governance (ISA 260), at its meeting on 21 September 2011.
- 2.4** The Statement of Accounts for 2010/11 look very different from those of previous years as it now has to comply with a new code of accounting practice – the CIPFA Code of Practice on Local authority Accounting (the 'Code'), which fully incorporates International Financial Reporting Standards (IFRS).
- 2.5** As a result the Council had to change its accounting policies during the year in accordance with the Code. In particular a review had to be undertaken of the accounting treatment of every lease the council had entered into and every capital grant and contribution received in 2009/10 and 2010/11.
- 2.6** The Accounts incorporate new statements – a Comprehensive Income & Expenditure Account and a Movement in Reserves Statement – and the figures for 2009/10 had to be restated in the new format. There are new categories on the balance sheet, such as Usable and Unusable Reserves, and many new and more detailed notes to the Statements. The transition to IFRS

represents the largest change in accounting for a number of years.

### **3. Auditor's Report**

- 3.1** The council's external auditors, KPMG LLP, conducted a full audit of the financial statements and have issued a 'Report to those charged with governance (ISA 260) for 2010/11', giving the Statement of Accounts an unqualified audit opinion. The audit did not identify any material misstatements in the accounts and the Audit Certificate was signed on 21 September 2011.
- 3.2** The auditor must appoint a date on which local government electors for the area to which the accounts relate may exercise their rights under regulation 15 and 16 of the Audit commission Act 1998 to question the auditor about or make objections to the accounts. The date appointed by the auditor was 9 August 2011.
- 3.3** The audit identified only two adjustments to the draft accounts, both of which were in relation to classification and had no impact on the net assets reported or the council's net expenditure. The auditor commented that 'this result demonstrates the high level of care and resource that the finance team put into preparing the financial statements and the working papers for audit' and that the 'quality of the accounts and the supporting working papers provided to us was again excellent.'
- 3.4** The council received one objection to the accounts in relation to the payment of car allowances to staff. This was formally considered by KPMG who concluded that there were no grounds for taking any further action.
- 3.5** The auditor also commented that the council had implemented the recommendations of the ISA 260 2009/10 report and that it had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Two priority two issues and one priority three issue were identified, which are being addressed. All are issues which do not need immediate action or which are not vital to the overall system of internal control.

### **4. Reasons for recommendations**

- 4.1** The Audit Committee were provided with a comprehensive verbal explanation of the key changes and highlights of the accounts for 2010/11 and received a complimentary verbal report from the Auditor.
- 4.2** Accordingly the Audit Committee considers that there are no issues arising from the audit which need to be brought to the attention of Council.

### **5. Alternative options considered**

- 5.1** See above.

### **6. Consultation and feedback**

- 6.1** Director of Commissioning, Cabinet Member for Community Development and Finance

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<b>Appendices</b>	None
<b>Background information</b>	<p>Statement of Accounts 2010/11</p> <p>External Audit Working paper files 2010/11</p> <p>Code of Practice on Local Authority Accounting in the UK 2010/11 Accounts</p> <p>Service Reporting Code of Practice 2011/12</p> <p>Report to those charged with governance (ISA 260) for 2010/11</p> <p>Accounts and Audit Regulations 2003</p> <p>Accounts and Audit Regulations 2011</p>