

BODY: **AUDIT AND GOVERNANCE COMMITTEE**
DATE: **26 September 2012**
SUBJECT: **Statement of Accounts 2011/12**
REPORT OF: **Financial Services Manager**

Ward(s): All

Purpose: To agree the audited accounts for 2011/12 under powers delegated by the Council.

Decision Type Key decision

Contact: Pauline Adams, Financial Services Manager.
Telephone Number 01323 415183

Recommendations: Members are asked to -

- i) Agree the action taken in respect of the non-trivial but not material errors identified by External Audit.
- ii) Approve the final audited accounts for 2011/12.
- iii) Approve the changes required to the Annual Governance Statement to cover the group information.

1.0 Introduction

1.1 The Accounts and Audit Regulations 2011, the Audit Commission Act 1998, the Code of Audit Practice (issued by the Audit Commission) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code) set out the requirements for the production and publication of the annual Statement of Accounts.

1.2 The regulations require that an appropriate body should approve the audited Statement of Accounts after they have been certified by the Chief Financial Officer within six months of the financial year end i.e. by 30 September.

1.3 The Committee noted the draft accounts for 2011/12 at its meeting on 27 June 2012

Audit of Accounts

2.1 PKF has now issued the draft ISA260 Annual Governance Report which is included as a separate report to this committee.

2.2 PKF has indicated that subject to satisfactory completion of the outstanding work it is anticipated that an unqualified audit opinion on both this Council's accounting statements and the group accounting statements will be issued. The opinion is expected to be given before the statutory deadline of 30 September.

3.0 Key issues arising from the audit.

3.1 There have been only minor changes to the accounts between June and the current position. These are mainly presentational and a revised copy of the statement of accounts is attached to this report.

3.2 PKF's Annual Governance report highlights the following two areas of change, both of which are of a technical accounting nature and do not affect the overall balances on the General Fund, HRA or Reserves.

1. Accounting for the HRA debt settlement – As part of the new HRA self financing regime the government paid off £30m of the Council's PWLB Debt, plus £8.4m of premia due on the early repayment of this debt. Local Authority Accounting Practice (LAAP) guidance notes were issued by CIPFA regarding the accounting entries required to reflect this transaction. In addition advice was also provided by the Council's Treasury Management Advisor (Sector), which in the view of officers appeared to more comprehensively comply with proper practice as set out in the Code of Practice, than the LAAP, therefore Sectors accounting advice was followed. Unfortunately despite engaging with PKF early their final opinion was that the CIPFA guidance had to be followed. The changes required resulted in amendments to two lines of the Cash Flow Statement, one a debit and one a credit so therefore did not change the bottom line, and a change to note 7 of the accounts supporting the Movement in Reserves Statement where the settlement amounts were moved from the column for capital grants and contributions to capital receipts. Again this made no difference to the balance on either accounts as the entries were in and out.

2. Capital Adjustment Account (CAA), note 33 Unusable Reserves - Presentational changes were made to this note, as although all the accounting entries were correct some elements were shown against the wrong description and some amounts were consolidated into one figure. These amounts have now been correctly reclassified and separated as necessary.

4.0 Annual Governance Statement (AGS)

4.1 The AGS as approved by members at the June Audit Committee

only covered information relating to this Council. The AGS now needs to be amended to bring the group elements of the accounts. Members are therefore asked to approve the following changes to the section entitled "Review of Effectiveness":

Where Managers' Assurance Statements are mentioned a sentence has been altered from "These can be used to highlight concerns and actions required to improve governance throughout the Council" to include "and at Eastbourne Homes Ltd".

A further bullet point has also been added to this section which reads:

Governance arrangements at Eastbourne Homes Ltd (EHL) – reviews carried out and reports written by the internal and external auditors engaged by EHL which are reported to their own Audit Committee and Board. Ad hoc reviews are carried out on EHL systems by the internal auditors of the Council. At the end of year the Audit Committee of EHL have a minuted disclaimer concerning fraud and corruption.

5.0 Conclusions

- 5.1** The process for the 2011/12 audit and statement of accounts presentation represent a further significant improvement to previous years in terms of timeliness and accuracy.
- 5.2** The AGS has been amended to cover group information.
- 5.2** An unqualified audit opinion is expected to be issued by 30 September by PKF.

Background Papers:

The Background Papers used in compiling this report were as follows:

Annual Governance Report 2011/12.
Final Accounts working papers 2011/12
PKF Annual Governance Report 2011/12
