

**Agenda Item No:** 11 **Report No:** 112/12

**Report Title:** Annual Financial Report 2011/2012

**Report To:** Audit Committee **Date:** 25 June 2012

**Ward(s) Affected:** All

**Report By:** Director of Finance

**Contact Officer(s)-**

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### **Purpose of Report:**

**To provide assurance to the Audit Committee that the Council's Annual Financial Report for 2011/2012 has been prepared in accordance with statutory requirements and recommended accounting practice.**

### **Officers Recommendation:**

1. To note the contents of this report.
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### **Reasons for Recommendations**

- 1 The Council's constitution enables the Audit Committee to approve the Annual Statement of Accounts. The Accounts and Audit Regulations 2011 require the Director of Finance to certify by 30 June that the Statement of Accounts presents fairly the financial position of the Council, in advance of the external audit of those Accounts taking place.

### **Information**

#### **2 Approval of the Accounts**

- 2.1 The Audit Committee is required to approve the Council's annual formal Accounts, which include statements of its income and expenditure for the year and its balance sheet at the year end. The requirement stems from the Council's Constitution, the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting published each year by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.2 The Accounts and Audit Regulations 2011 introduced a new framework for the approval and auditing of local authority accounting statements, which first applied for the 2010/2011 financial year. The requirement is for the responsible financial officer (the Director of Finance) to certify the Accounts before 30 June, with no approval by councillors at that stage. The external audit then takes

place, with a final set of Accounts, including any necessary amendments, being brought to councillors to approve by 30 September, the final deadline for publication. The consequence of the Regulations is that, when approving the Accounts, councillors can be made aware of the findings of the audit and hence make a better informed decision.

- 2.3** Completing the formal Accounts by 30 June presents a significant challenge to the Council's small Accountancy Section, with the Accounting Code introducing new refinements each year. At the time of writing this report, it is the intention that the Director of Finance will certify the Accounts on 29 June, maximising the time available for final 'quality checking' of the document which will exceed 140 pages. It is the intention to give a brief overview of the Balance Sheet at the meeting of the Audit Committee, highlighting the key aspects of the Council's financial position at 31 March 2012.
- 2.4** Members of the public have the right to inspect the Council's accounts and supporting records. The Annual Financial Report will be published on the Council's website following the meeting of the Audit Committee. The period for public inspection will run from Monday 9 July to Friday 3 August 2012.

### **3 Format of the Accounts**

- 3.1** The Accounts for 2011/2012 are the second set to be produced in accordance with International Financial Reporting Standards (IFRS). In issuing their guidance for 2011/2012 to local authorities, CIPFA have noted that there is the potential for confusion as to which elements of published accounting documents are covered by an auditor's opinion. In response to this, this Council's document will be named the 'Annual Financial Report 2011/2012' with the formal 'Statement of Accounts' which is subject to audit being clearly identified within it.
- 3.2** The Statement of Accounts comprises the following core elements:

**Movement in Reserves Statement** - this shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those the Council can apply to fund expenditure or reduce local taxation) and other reserves.

**Comprehensive Income and Expenditure Statement** - this records all of the spending and income used in the day to day provision of all services including Council housing and also includes any profit or loss from the use and disposal of assets within the period. The account also shows how much is received from council taxpayers and from general government grants to help meet the cost of services.

**Balance Sheet** – this provides a snapshot of the Council's financial position as at 31 March 2012 and includes the General Fund and Housing Revenue Account balances. It sets out what the Council owns, owes and is owed at that point in time.

**Cash Flow Statement** – this summarises the total receipts and payments of cash arising from the Council’s activities in the year ie it excludes amounts which the Council owes but has not yet paid and is owed but has not yet received.

**Notes to the Financial Statements** – these explain the significant items within each of the core elements along with an explanation of the accounting policies that were followed when compiling and presenting the Accounts.

**Housing Revenue Account** – this statutory ‘ring-fenced’ account reports for the year on the management of the Council’s housing stock. It shows the major elements of housing running costs, maintenance, ‘negative’ housing subsidy, management and capital financing costs, and how these are met by rents, service charges and other income.

**Collection Fund** – this shows the Council’s transactions in relation to the collection of non-domestic rates and council tax, and their payment over to the Government and ‘precepting authorities’ (East Sussex County Council, Sussex Police Authority, East Sussex Fire Authority and Lewes District Council).

**Statement of Responsibilities for the Statement of Accounts** – this explains the relative responsibilities of the Council and Director of Finance in terms of making arrangements for the administration of the Council’s financial affairs, keeping financial records, etc. Before publication of the audited Accounts in September, the Chair of the Audit Committee and the Director of Finance will sign this Statement.

- 3.3** The Annual Financial Report will also incorporate a review of the 2011/2012 financial year and forward look to 2012/2013, as well as the Annual Governance Statement and a Glossary of Terms.

### **Financial Implications**

- 4** There are no additional financial implications arising from this report.

### **Sustainability Implications**

- 5** The Sustainability Screening process for this Report took place in June 2012. There are no implications for sustainability.

### **Risk Management Implications**

- 6** I have completed the Risk Management Questionnaire. The issues covered by the recommendations are not significant in terms of risk.

### **Equality Screening**

- 7** The Equality Screening process for this Report took place in June 2012. There are no implications for equality.

**Background Papers** - Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and Guidance Notes for Practitioners.