



Public Agenda Item: **Yes**

Title: **Statement of Accounts 2011/12**

Wards Affected: **All wards**

To: **Audit Committee**

On: **19th September 2012**

Key Decision: **No**

Change to Budget: **No**

Change to Policy Framework: **No**

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1. What we are trying to achieve

1.1 To enable the approval of the Council's Statement of Accounts for 2011/12 in compliance with the Account and Audit Regulations 2011.

2. Recommendation(s)

2.1 **That Audit Committee review the accounts and consider the External Auditor's report and opinion on the accounts.**

2.2 **That following 2.1, the Council's Statement of Accounts for 2011/12, as set out in pages 16 to 146 of Appendix 1 to this report, be approved and;**

2.3 **That following approval in 2.2 above, the person presiding at this meeting shall sign and date the accounts on behalf of the Council, to represent the completion of the Council's approval process of the accounts, in the "Statement of Responsibilities for the Statement of Accounts" shown on page 18 of the Statement of Accounts**

2.4 **That Audit Committee (re) approve the Annual Governance Statement for 2011/12 as set out in pages 147 to 158 of Appendix 1 to this report.**

3. Key points and reasons for recommendations

3.1 The Account and Audit Regulations 2011 require approval of the 2011/12 Statement of Accounts for the year ended 31 March 2012 by a committee of the Council before 30 September 2012. For Torbay the Audit Committee can "on behalf of the Council approve the annual statement of accounts" – report 156/2008 refers. In addition the Regulations require that the person presiding at

the meeting shall sign and date the accounts. As a key part of this process the Audit Committee will consider these Accounts prior to approval, and will also receive and consider the External Auditor's report and opinion on the accounts.

- 3.2 As required by the Account and Audit Regulations 2011 the Accounts were "authorised for issue" by the Council's Chief Finance Officer by 30th June 2012 and have been available on the Council's website since that date. The accounts, as required by the Regulations, were available for public scrutiny for 20 working days during July 2012. The Council's External Auditor was also available from a specified day to deal with any representations from the public.
- 3.3 The annual external audit of the accounts by the Audit Commission's appointed auditor, the Audit Commission, started mid July 2012 and will be completed by 30th September 2012. The Audit Commission are due to report on the Accounts to Audit Committee in September which will enable members to consider the External Auditor's report in their review and approval of the Accounts.
- 3.4 Due to the timing of the external audit and committee meetings the Accounts presented to Audit Committee in September are the Accounts as authorised for issue in June 2012, updated for any issues raised by the External auditor or any adjustments by Council officers up to the end of August 2012. If any subsequent material alterations in respect of the accounts as presented to this Committee are recommended by the External Auditor after that date then these will be updated in the Accounts, along with any minor changes agreed with the External Auditor, prior to publishing at the end of September 2012.
- 3.5 Council, in July 2012, considered specific reports on both revenue and capital spending during the last financial year and those reports are consistent with the financial information in the Statement of Accounts. The final Revenue outturn for 2011/12, after transfers to earmarked reserves was a breakeven position therefore no balances were transferred to or from the General Fund reserve.
- 3.6 Following the Audit Committee meeting in June 2012, where the Annual Governance Statement was considered, there have been a number of minor changes to the Statement therefore, for completeness, it is recommended that the Audit Committee (re) approve the Annual Governance Statement as set out in Appendix 1.

For more detailed information on this proposal please refer to the supporting information.

**Paul Looby
Chief Finance Officer**

Supporting information to Report

A1. Introduction and history

- A1.1 The principal legislation relating to the keeping of local authority accounts is contained in the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2011. Local authority accounts are required to present a “true and fair view” of the financial position of the authority. The audit requirements of accounts are contained in the Audit Commission Act 1998.
- A1.2 The Account and Audit Regulations 2011 regulations require that the responsible financial officer of the Council shall sign by 30th June each year the Statement of Accounts and certify that it presents a “true and fair” view of both the financial position of the Council at the end of the year to which it relates and its income and expenditure. The Council’s responsible financial officer, Paul Looby, has certified the accounts at page 19.
- A1.3 The Regulations also require approval of the Statement of Accounts by a committee of the Council before September 30th each year. For 2011/12 in Torbay this is the Audit Committee. In addition the Regulations require that the person presiding at this meeting shall sign and date the accounts.
- A1.4 The Statement of Responsibilities for the Statement of Accounts to be signed by the person presiding at this meeting is on page 18 within the Statement of Accounts. The intention behind this requirement is that the signature of the person presiding at the meeting shall formally represent the completion of the Council’s approval process of the accounts.

A2. Whole Government Accounts Agenda

- A2.1 The requirement of the Accounts and Audit Regulations 2011 to “authorise for issue” a (pre audit) copy of the Council’s Accounts by 30th June is part of the Whole Government Accounts (WGA) agenda. This is to ensure that all public sector bodies produce their own accounts by 30th June each year. From these accounts each body is required to complete an audited WGA return which excludes all transactions and balances with other bodies, so that HM Treasury can produce a set of accounts that represents the income, expenditure, assets and liabilities of the whole public sector.
- A2.2 These requirements place pressures on finance and service staff to produce the information required in a short time period. It should be noted that although the Statement of Accounts is produced by Financial Services the support of service staff, who order, authorise and control income and expenditure is vital in this process. The Chief Finance Officer and his staff, again, recognise the support given by service staff and without their support this timetable would not have been met.

A3. Group Accounts and Partnership Working

- A3.1 A key issue that affects the closure of the Council’s accounts is the requirement to include the accounts of other bodies where the Council has control or significant control.

- A3.2 The Council owns, or has influence on, a number of companies including TOR2, PLUSS, Careers South West, English Riviera Tourism Company and new for 2011/12 the Economic Development Company. These are accounted for as subsidiary or associate companies depending on the level of Council's control/ownership.
- A3.3 This information will be consolidated within the Council's accounts as Group accounts if material. It was considered that the Council's interests in these companies were material in 2011/12, which required the production of Council "group" accounts alongside its "single entity" accounts. Although Group accounts were produced for 2011/12, due to the value of financial transactions between the companies, it may be considered not material to produce group accounts for 2012/13.
- A3.4 This placed additional work on finance staff, both within the Council and within the companies to produce information on an IFRS basis in a short period to meet the deadline of 30th June. This was a particular pressure for the companies as the timetable for Councils to issue accounts is six months earlier than the timetable for Companies to issue accounts. The Chief Finance Officer and his staff, again, recognise the support given by staff within these companies and without their support this timetable would not have been met.
- A3.5 The partnership for Adult Social care with the (then) Torbay Care Trust requires the Care Trust to provide final account information to the Council promptly for inclusion within its accounts. The information has always been provided within agreed timetables.
- A3.6 In addition the Council has to disclose details of all arrangements with other bodies that could be classified as a related party or pooled budget arrangement such as the Devon Audit Shared Services Joint Committee. It is vital that the Council has an understanding of all the "partnerships" and joint working arrangements it has entered into, particularly in terms of legal issues, financial control and any risks and/or rewards the Council has from the arrangement.

A4 2011/12 Statement of Accounts

- A4.1 The Accounts are included within the "Financial Reports and Accounts for the Year 2011/12" as shown in appendix one. The Accounts are produced in line with International Financial Reporting Standards (IFRS) and "proper practice" issued by CIPFA. As a result it is a rather technical document with its content and format largely prescribed by guidance and legislation.
- A4.2 If any Member would like any questions answered on interpreting the Accounts and IFRS you can contact Martin Phillips or Paul Looby who will endeavour to help. The contact details are in the heading to this report.
- A4.3 The other information included in the Financial Report, i.e the Operating and Financial Review and Annual Governance Statement that was presented to Audit Committee in June 2012, are published along with the Accounts.
- A4.4 In addition to encourage wider understanding of the Council's accounts summary financial information will be in the Council's annual report for 2011/12.

A4.5 The Council's accounting policies, which underpin the information within the Statement of Accounts, are reviewed on an annual basis by the Chief Finance Office to ensure that the selection of the accounting policies is consistent with the latest guidance and standards (IAS8). The Council's Accounting Policies are shown within the Statement of Accounts on pages 100 to 122 and are part of the approval of the Accounts.

A5. Other Final Accounts Requirements

A5.1 The Approval of the Council's statutory Statement of Accounts is an important part of the final accounts process; however there are other requirements relating to 2011/12. These include:

- WGA Return which will be subject to external audit
- Revenue and Capital Central Government returns on 2011/12
- Schools related "section 252" return
- Grant claims which will be subject to external audit
- The publication of the Statement of Accounts
- Inclusion of financial information in Council's annual report
- Publishing (and advertising) the Accounts and completion of the audit

A6 Future of External Audit

A6.1 In July 2012 the Government published the draft Local Audit Bill for consultation. A link to the draft bill is shown below. This bill will change the audit of Council's in the future, will repeal the existing Audit Commission Act and will lead to the disbanding of the Audit Commission.

<http://www.communities.gov.uk/publications/localgovernment/draftlocalauditbill>

A6.2 Although the legislation and service provision for the external audit significantly changes, in the short term the requirements for the actual completion of Councils' Accounts, such as compliance with IFRS and "proper practice", remain as present.

A6.3 One immediate change for the Council is that, following a tender process, Grant Thornton have been awarded the contract for the audit of the public sector bodies in the South West. Grant Thornton has now been formally appointed as the Council's external auditor for 2012/13 for a minimum of five years. Council officers will be working with the new auditors over the next few months to ensure a smooth transition. This transition will be helped by the transfer of staff from the Audit Commission to Grant Thornton.

A6.4 The new act may lead to a change in the role and membership of Audit Committees, such as independent members and at some point local choice of the appointment of an external auditor. An update will be provided to members once the draft Act is passed into legislation.

Paul Looby
Chief Finance Officer

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Appendices

Appendix 1 – Financial Reports and Accounts for the year 2011/12