

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 20 SEPTEMBER 2011

2010/11 STATEMENT OF ACCOUNTS

REPORT OF THE HEAD OF FINANCE

PART A) SUMMARY REPORT

- 1.1 This report informs Members of the outcome of the audit of the Council's accounts for 2010/11 and presents the Statement of Accounts for approval.
- 1.2 In 2007 Central Government announced that the UK Public Sector would adopt International Financial Reporting Standards (IFRS), which are the accounting standards used across the commercial world. The 2010/11 Statement of Accounts are the first IFRS financial statements to be produced by Local Authorities.
- 1.3 The transition to IFRS has been very challenging as it includes changes to the financial statements, the notes and the prescribed accounting treatment for many items. It has also been necessary to re-state the 2009/10 balance sheet to provide comparative information.
- 1.4 In accordance with the Accounts and Audit (England) Regulations 2011, the Chief Financial Officer certified the draft statement of accounts prior to the 30th June. These were then made available for public inspection and provided to the external auditors to undertake the audit of accounts. As required by regulation, the final statement of accounts are now presented to members for approval, prior to publication. This Committee has delegated authority to approve the council's final audited Statement of Accounts.
- 1.5 KPMG, the Council's external auditors, have substantially completed their work and are in the final phase of the audit – an unqualified audit opinion is anticipated. As there are some audit areas still to complete delegated authority is requested so that the Head of Finance, in consultation with the Chairman of this Committee can finalise the statement of accounts, if the audit has not been finalised by the date of this meeting.
- 1.6 The audit has identified a number of changes to the accounts, which have been agreed and included in this final version. The outturn position of £0.083m underspend reported to Cabinet on the 21 June 2011 remains unchanged and none of the changes impact on the previously reported General Fund Balance.
- 1.7 Following approval and completion of the audit, the Statement of Accounts will be published on the Council's web site.

2.0 RECOMMENDATIONS

- 2.1 That Members approve the 2010/11 Statement of Accounts attached at Appendix I.**
- 2.2 That, if the audit has not been fully completed by the date of this meeting, delegated authority be granted to the Head of Finance, in consultation with the Chairman of the Audit Committee, to make any final changes required to the Statement of Accounts prior to publication.**

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	Delivery of all priority objectives depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan.
	No	
TARGET COMPLETION/DELIVERY DATE	To publish audited accounts by the end of September 2011.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The financial impacts are detailed throughout the report.
LEGAL ISSUES	No	The Statement of Accounts have been prepared in accordance with the 2011 Code of Practice on Local Authority Accounting and the 2011 Accounts and Audit Regulations.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	<i>Borough Wide</i>

4.0 PREVIOUS MINUTES

Cabinet – Service & Financial Planning Report – 21 June 2011
Council – Service & Financial Planning Report – 23 June 2011

5.0 INFORMATION

- 5.1** The 2010/11 outturn position was reported to Full Council on the 21 June 2011. In accordance with the Accounts and Audit (England) Regulations 2011, the Council is required to prepare formal Statement of Accounts in a prescribed format, which for 2010/11 is following International Financial

Reporting Standards. The Chief Financial Officer certified the draft statement of accounts at the end of June. These were then made available for public inspection and provided to the external auditors to undertake the audit of accounts.

5.2 The final overall underspend of £83,000 (-0.07% of net budget) is the same as previously reported to members in June.

5.3 A number of adjustments to the accounts have been made after discussion with KPMG during the course of the final accounts audit. None of these has impacted on the General Fund Balance position previously reported. They include the following changes:

(i) Changes to the treatment of Investment Property revaluations which have to go through the Income & Expenditure Account

Revaluation Reserve	DR	£2.807m
Capital Adjustment Account	CR	£2.807m
I & E Investment income/expenditure	DR	£1.471m
Movement in Reserves	CR	£1.471m
Revaluation Reserve	CR	£1.471m
Capital Adjustment Account	DR	£1.471m

(ii) Reclassification of a number of assets which had been shown as Assets Held for Sale and should have been Investment Properties

Balance Sheet – Investment Properties	DR	£3.173m
Balance Sheet – Assets Held for Sale	CR	£3.173m

(iii) A number of payments made in March relating to 2011/12 which were netting down creditors and needed to be shown as pre-payments

Balance Sheet – Assets – prepayments	DR	£1.615m
Balance Sheet – Liabilities –creditors	CR	£1.615m

(iv) Treatment of accrued annual leave classed as a provision (officers followed CIPFA guidance) but required to be a creditor accrual by KPMG - £3.682m equal adjustments to creditor accruals and provisions

Balance Sheet – Provisions	DR	£3.682m
Balance Sheet – Creditors	CR	£3.682m

(v) Treatment of the change in Priorslee Primary being transferred to an academy; shown as an impairment but should be a disposal - £1.192m equal adjustments to other operating expenditure (loss on disposal) and cost of services (impairment)

I & E Account – Loss on Disposal	DR	£1.193m
I & E Account - Impairment	CR	£1.193m

- (vi) Property, Plant & Equipment – change to de minimus capital expenditure requiring recognition of groups of assets previously impaired in year:

I & E Account – impairments	CR	£11.992m
I & E Account - Depreciation	DR	£1.230m
Balance Sheet – Property, Plant, Equip.	DR	£10.762m
Balance Sheet – Movement in Reserves	DR	£10.762m
Capital Adjustment Account	CR	£10.762m

- (vii) Reclassification of an asset under construction as an intangible asset requiring a movement between the two classes of asset

Balance Sheet – Property, Plant, Equip.	CR	£0.754m
Balance Sheet – Intangible Assets	DR	£0.754m

- (viii) Pension costs – changes to treatment in 10/11 to ensure consistency with 9/10 and including expenditure in net cost of services

I & E Account – Pension Costs	DR	£1.176m
Movement in Reserves	CR	£1.176m

- (ix) Treatment of capital grants – grants had been taken directly to reserves instead of being recognised in the Income & Expenditure Account first

I & E Account – Specific Grant Income	CR	£45.518m
I & E Account – Other Expenditure	DR	£0.022m
Movement in Reserves Statement	DR	£45.496m

The final statement of accounts including all agreed amendments is attached at Appendix 1.

5.4 We once again anticipate receiving an unqualified audit report.

5.5 To comply with International Auditing Standards, the external auditor will also present the Annual Governance report to the Audit Committee which comments on the final accounts audit.

6.0 BACKGROUND PAPERS

2010/11 Draft Statement of Accounts

2010/11 Outturn Report

2010/11 Budget Book

General Ledger Reports

2010/11 Code of Practice on Local Authority Accounting

Accounts and Audit (England) Regulations 2011

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