



Title: **Statement of Accounts 2010/11**

Public Agenda Item: **Yes**

Wards Affected: **All wards**

To: **Audit Committee
Council**

On: **20 September 2011
29 September 2011**

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 Council to approve the Statement of Accounts for 2010/11 in compliance with the Account and Audit Regulations 2011.

2. **Recommendation(s) for decision.**

Audit Committee

- 2.1 **That Audit Committee consider the accounts and make any recommendations to Council as appropriate.**

Council

- 2.2 **That the Council's Statement of Accounts for 2010/11, as set out in pages 3 to 139 in 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 16 of the Statement of Accounts.**

3. **Key points and reasons for recommendations**

- 3.1 To enable the Council to meet its requirements under the Account and Audit Regulations 2011. These regulations require approval of the 2010/11 Statement

of Accounts for the year ended 31 March 2011 by a committee of the Council before 30 September 2011. For Torbay this is the full Council. In addition the Regulations require that the person presiding at the Council meeting shall sign and date the accounts. As a key part of this process the Audit Committee will consider these Accounts prior to Council 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 these Accounts were "authorised for issue" by the Council's Chief Finance Officer by 30th June 2011 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 2011. 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 2011 and will be completed by 30th September 2011. The Audit Commission are due to report on the Accounts to Audit Committee in September which will allow 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 were the Accounts as authorised for issue in June 2011. The Accounts presented to Council have been updated for changes and improvements identified by the external audit and officers. If any material alterations in respect of the accounts as presented to Council are recommended by the External Auditor then this will be reported to Members at a future meeting following completion of the audit.
- 3.5 The 2010/11 accounts (and therefore 2009/10 comparative data within these Accounts) are the Council's first Accounts to be produced in line with International Financial Reporting Standards (IFRS).
- 3.6 Council in July 2011 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 2010/11, after transfers to earmarked reserves was an under spend of £0.3 million and this balance will be transferred to the General Fund reserve.

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

**Paul Looby
Chief Finance Officer**

Supporting information

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 is 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 2011 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 17.
- A1.3 The Regulations also require approval of the Statement of Accounts by a committee of the Council before September 30th 2011. For Torbay this is the full Council (although the Audit Committee is able to approve the Accounts). 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 16 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) 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 “single entity” 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 in a number of private companies including TOR2, PLUSS, English Riviera Tourism Company and new for 2011/12 the Economic Development Company.
- A3.3 This information will need to be consolidated within the Council's accounts as Group accounts if material. It is considered that the Council's interests in these companies will be material in 2011/12, which will require the production of Council group accounts alongside its single entity accounts. This will place additional work on finance staff both within the Council and in the companies to produce information on an IFRS basis in a short period to meet the deadline of 30th June.
- A3.3 The partnership for Adult Social care with the Torbay Care Trust requires the Care Trust to provide final account information the Council promptly for inclusion within its accounts. The information has always been provided within agreed timetables.
- A3.4 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 2010/11 Statement of Accounts

- A4.1 Appendix 1 to this report shows the annual Statement of Accounts for the financial year ending 31st March 2011. It is a rather technical document with its content and format largely prescribed by guidance and legislation.
- A4.2 In addition to encourage wider understanding of the Council's accounts summary financial information will be in the Council's annual report for 2010/11.
- A4.3 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 104 to 128 and are part of the Council's approval of the Accounts.

A5. International Financial Reporting Standards (IFRS)

- A5.1 The 2010/11 accounts (and therefore 2009/10 comparative data within these Accounts) are the Council's first Accounts to be produced in line with International Financial Reporting Standards (IFRS). Audit Committee has received reports and updates on this issue over the past two years and the significant impact this will have on the Council's accounts and the information requirements to support it.

A5.2 As a result of the change to IFRS this has had a significant impact on the format and content of the Council's Accounts. For 2010/11 this has entailed the accounts being completely rewritten with the core statements and supporting notes now presented on an IFRS basis including the use of "proper practice" and examples from CIPFA. This has resulted in significant changes in the 2010/11 accounts (IFRS) compared to the 2009/10 published accounts (under UKGAAP). In the 2010/11 Accounts there is a note outlining the main restatements required by the move to IFRS.

A5.3 It is inevitable that due to the significant changes there will be a period of adjustment as the Council's accounts are "refined" by both the External Auditor and consensus on the appropriate treatment of IFRS amongst Councils and auditors as the new standards "bed in".

A5.4 To support understanding of the change to IFRS, CIPFA have issued a guide to IFRS called "telling the story" to provide an overview of the change to IFRS. This is available on the Councils website at:

http://www.torbay.gov.uk/index/council/financial_services/statementofaccounts.htm

A5.5 If any Member would like additional training or any questions answered on interpreting the Accounts and IFRS you can contact Martin Phillips who will endeavour to help. His contact details are in the heading to this report.

6. Annual Governance Statement (AGS)

A6.1 The Statement of Accounts presented to Council will include the Council's Annual Governance Statement. This statement is required to be published as part of the Council's accounts but it is not an "integral" part of the accounts as the scope of the Governance Statement is wider than just financial control issues. The Statement was presented for review by Audit Committee in June 2011.

A6.2 The Annual Governance Statement in the Statement of Accounts is as presented to Audit Committee in June. It is anticipated that the Annual Governance Statement, when published with the Accounts at the end of September, will have been updated to include any changes identified by both the External Auditor and Council staff since that date.

A7. Other Final Accounts Requirements

A7.1 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 2010/11. These include:

- Completion of WGA Return which will be subject to external audit
- Completion of Revenue and Capital Central Government returns on 2010/11
- Completion of Schools related "section 252" return
- Completion of Grant claims which will be subject to external audit
- The publication of both the Statement of Accounts
- Inclusion of financial information in Council's annual report
- Publishing (and advertising) the Accounts and completion of the audit

A8. Support of Staff and External Auditor

A8.1 The Chief Finance Officer would like to take the opportunity of publicly thanking, again, his finance staff and staff within services for their support and commitment in helping to meet the challenging final accounts timetable in particular the significant changes of the move to IFRS. In addition the Chief Finance Officer would like to recognise the support of the Council's External Auditor in the move to IFRS over the past two years.

Paul Looby

Chief Finance Officer

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Appendices

Appendix 1 – Statement of Accounts 2010/11