

REPORT TO: Audit Committee	DATE 26 September 2013	CLASSIFICATION: Unrestricted	REPORT NO.
REPORT OF: Chris Holme–Acting Corporate Director of Resources <i>ORIGINATING OFFICER(S):</i> Kevin Miles – Chief Accountant		TITLE: Statement of Accounts 2012/13 – Audit Report and approval WARD(S) AFFECTED: N/A	

1. SUMMARY

- 1.1 This report presents the Authority’s Statement of Accounts for the financial year ending 31st March 2013 now the majority of the audit has been completed by KPMG. The latest version of the accounts as at 17th September is attached. Although there are some minor disclosure changes to the accounts, the Council’s overall financial position is unchanged from the draft circulated to Members in June, except for a minor technical increase to the HRA reserve of £180,000, though this adjustment should not be considered an increase in usable reserves.
- 1.2 The auditors will also be presenting their annual audit report at this meeting which will contain their opinion on the Accounts subject to any further review work they feel is necessary. Members of the Committee will be asked to approve the Statement of Accounts at this meeting.

2. RECOMMENDATIONS

Audit Committee is recommended to:-

- 2.1 Approve the Statement of Accounts for the financial year ended 31st March 2013, having regard for the auditor’s Annual Governance Report.
- 2.2 Agree that if the auditor identifies any further significant issues the Chair of the Committee be delegated to approve any subsequent amendments to the Statement of Accounts that may be necessary as the result of further audit work and the Chief Finance Officer will brief members of the committee and, if necessary, prepare a formal report to the next meeting of the committee.

3. BACKGROUND

- 3.1 In June, officers presented the draft Statement of Accounts for 2012/13 (including the pension fund accounts) which was subject to audit. This was the third set of accounts to be compliant with the requirements of International Financial Reporting Standards (IFRS). This report now presents the current draft of the accounts following the completion of the majority of the KPMG audit review.

- 3.2 To follow Chartered Institute of Public Finance and Accountancy (CIPFA) best practice, Audit Committee is requested to approve the Statement of Accounts which will then be formally published before the end of September.
- 3.3 The external auditors, KPMG will be presenting their Annual Governance Reports, the ISA260 (see agenda item 4) detailing changes made to the draft accounts and any matters of a non-trifling nature that need to be brought to the attention of the Committee. The auditors have completed their audit review of the accounts.

4. STATEMENT OF ACCOUNTS 2012/13

- 4.1 The restated Statement of Accounts for 2012/13 is attached to the report as Appendix 1. This includes the Council's Income and Expenditure Account for the year, the Balance Sheet as at 31st March 2013, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, the Group Accounts (incorporating the accounts for Tower Hamlet Homes) and the Council's Pension Fund Accounts.
- 4.2 The contents of the accounts are largely determined by statutory requirements and mandatory professional standards as set out within the "Code of Practice on Local Authority Accounting" published by CIPFA.
- 4.3 The accounts are an important aspect of the financial management of the Council as they set out the Council's financial position as at 31st March each year. They include details of the main assets and liabilities, and the year-on-year movements both in the income and expenditure accounts and balance sheet. The accounts are also an integral part of the Medium Term Financial Planning process.
- 4.4 Though the usable reserves of the Accounts are unchanged from the draft previously circulated (except for an increase in the HRA reserve as a result of a reversal of a previous impairment charge).
- 4.4.1 **Corrected errors** – whilst the external auditor is satisfied that, in all significant respects, the London Borough of Tower Hamlets put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2013 there were some minor changes to the accounts concerning the treatment of accrued annual leave as an accrual rather than a provision and the re-categorisation of a payment due to Municipal Mutual Insurance Ltd (MMI) as a provision rather than a reserve. There were also some minor disclosure amendments as outlined in appendix 3 of the audit report. These changes did not impact on the Council's out-turn for the year or its available resources.
- 4.4.2 **Addressing of audit risks** – officers liaised closely with auditors to ensure risk areas, such as the accounting for heritage assets and the HRA reform were addressed and accounted for in accordance with latest guidance. Risks identified as part of the 2011/12 audit process have been addressed. The

auditors are satisfied that the creditor risk identified last year has been addressed.

4.4.3 **Significant weaknesses in internal control** – The audit has flagged up some weaknesses of internal control as indicated in the auditor’s report and officers’ response to the auditor’s recommendations will be circulated at your meeting.

4.5. Members are now requested to approve the Statement of Accounts for 2012/13. The auditors are required to complete and sign off the Whole of Government Accounts return as part of providing their opinion on the accounting statements.

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

5.1 The comments of the chief financial officer are incorporated within this report.

6. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

6.1 The Accounts and Audit (England) Regulations 2011 specify a procedure for signing, approval and publication of a statement of accounts. The chief finance officer is required to sign and date the statement of accounts by 30 June each year, certifying that it presents a true and fair view of the Council’s financial position at the end of the relevant financial year and of the Council’s income and expenditure for the year. The audit committee must approve the statement of accounts by 30 September each year and the statement must be signed by the chair of the meeting at which the accounts were approved. The statement of the accounts must be published by 30 September along with any certificate, opinion or report issued or given by the Auditor under section 9 of the Audit Commission Act 1998.

7. ONE TOWER HAMLETS CONSIDERATIONS

7.1 The Statement of Accounts is a single statement of the financial position of the whole Council which is potentially of interest to all individuals and organisations which have dealings with the Council.

7.2 The statements are published on the Council’s website both in draft and in audited form. Interested parties have the right to inspect the accounts during the audit and local electors have the right to submit questions to the auditor. Details of these rights are published in local newspapers at appropriate stages.

8. ANTI-POVERTY CONSIDERATIONS

8.1 There are no specific anti-poverty implications arising out of this report.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT (SAGE)

9.1 There are no SAGE implications arising out of this report.

10. RISK MANAGEMENT IMPLICATIONS

10.1 There are no specific risk management implications.

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

11.1 There are no crime and disorder reduction implications.

12. EFFICIENCY STATEMENT

12.1 There are no specific efficiency implications although KPMG have reported on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources as part of the Annual Audit Letter.

13. APPENDICES

Appendix 1 – Explanatory Foreword, Statement of Accounts and Annual Governance Statement for the year ended 31st March 2013 (subject to final, audit opinion).

Local Government Act, 2000 (SECTION 97) LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"	Name and telephone number of holder and address where open to inspection
Closure of Accounts Working Papers	Kevin Miles, Ext. 6791
Capital Working Papers	Alison Gebbett, Ext. 3360
HRA Closure of Accounts Working Papers	Paul Leeson, Ext. 4995