

COMMITTEE	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	20th September 2011	Unrestricted		
REPORT OF: Chris Naylor – Corporate Director of Resources ORIGINATING OFFICER(S): Peter Hayday – Service Head, Corporate Finance		TITLE: <p style="text-align: center;">Statement of Accounts 2010/11 – Audit Report and approval</p> Ward(s) affected: N/A		

Special Circumstances and Reasons for Urgency

- The report was unavailable for public inspection within the standard timescales set out in the Authority's Constitution because the Audit Committee had to be brought forward by a week.
- The Corporate Director of Resources recommends that committee note the findings of the annual governance report for 2010/11 to allow the auditors to provide their audit opinion by the statutory deadline of 30th September 2011.

1. SUMMARY

- 1.1 This report presents the Authority's Statement of Accounts for the financial year ending 31st March 2011 now the majority of the audit has been conducted. The latest version of the accounts as at 15th September is attached. Although there are disclosure changes to the accounts, the Council's overall financial position is unchanged from the draft circulated to Members in June.
- 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 2011, having regard for the auditor's Annual Governance Report (agenda item 5).
- 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.

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 Files
Accounts & Audit Regulations 2003 Approval of Accounts
Best Value Accounting Code of Practice
Code of Practice on Local Authority Accounting in the UK
HRA Closure of Accounts Working Papers
Capital Working Papers*

*Kevin Miles, Ext. 6791
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Paul Leeson, Ext. 4995
Alison Gebbett, Ext. 3360*

3. BACKGROUND

- 3.1 In June, officers presented the draft Statement of Accounts for 2010/11 which was subject to audit. This was the first 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 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.
- 3.3 The Audit Commission will be presenting their Annual Governance Report (see agenda item 5) 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.

4. STATEMENT OF ACCOUNTS 2010/11

- 4.1 The restated Statement of Accounts for 2010/11 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 2011, 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, there have been a number of amendments

to the treatment of some transactions and year-end balances in the Accounts. These amendments are as follows:

4.4.1 Re-classification of Pension Fund Deficit

The Accounts include a £134.6m pension fund gain as a result of a change to future pension increases being in line with the Consumer Price Index (CPI) rather than the previously used Retail Price Index (RPI). This credit is now shown within Non-Distributed Costs (NDC) in the Income and Expenditure Account. Initially officers had felt that the inclusion of this one-off credit within NDC would distort the Net Cost of Services figure and had therefore been included as Pensions Expected Return on Pension Assets within Financing and Investment Income and Expenditure. However, following discussion with the auditors it has been accepted that the amended approach follows CIPFA guidance.

4.4.2 Re-classification of Short-term Investments

Short-term investments of £37.6m have been re-classified as a cash equivalent. Cash equivalents is a new IFRS disclosure requirement. As this fixed term overnight investment was very liquid in terms of time-span, the Council's accounting policies require it to be classed as a cash equivalent instead of a short-term investment.

4.4.3 Other Changes

Other changes to the Accounts have been made to include segmental accounts and related party accruals (these were not available at the time the draft accounts were presented to Members in June – officers are confident that these disclosures will be ready in time for the first draft of the 2011/12 accounts). The Pension Accounts now include additional financial instrument disclosures. Some other notes within the accounts have required minor amendment. The pension costs within the Group Accounts required amendment: these changes do not affect the bottom lines in any of the main Accounts.

4.5. Members are now requested to approve the Statement of Accounts for 2010/11, subject to any further audit testing.

4.6. A summarised version of the accounts will also be published once the audit has been completed and the accounts have been formally approved.

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

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

6. RISK MANAGEMENT

6.1 There are no specific risk management implications.

7. CONCURRENT REPORT OF THE CHIEF LEGAL OFFICER

7.1. The Accounts and Audit Regulations 2003 specify the process by which the authority's accounts are initially approved and then examined by the external auditor.

8. ONE TOWER HAMLETS CONSIDERATIONS

8.1 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.

8.2. 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.

9. ANTI-POVERTY CONSIDERATIONS

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

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT (SAGE)

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