

Report To:	Date	Classification	Report No.	Agenda Item No.
Audit Committee	25 September 2012	Unrestricted		
REPORT OF: Chris Naylor - Corporate Director, Resources ORIGINATING OFFICER(S): Alan Finch, Service Head, Finance, Risk & Accountability		Statement of Accounts 2011/12 – 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 2012 now the majority of the audit has been conducted. The latest version of the accounts as at 14th 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 2012, 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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Kevin Miles, Ext. 6791
Paul Leeson, Ext. 4995
Alison Gebbett, Ext. 3360*

3. BACKGROUND

- 3.1 In June, officers presented the draft Statement of Accounts for 2011/12 (including the pension fund accounts) which was subject to audit. This was the second 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 2011/12

- 4.1 The restated Statement of Accounts for 2011/12 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 2012, 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 **Reserve transfers** - June Cabinet agreed to transfer the £554,000 General Fund underspend in 2011/12 and £400,000 from the ICT future sourcing programme to an earmarked reserve for a mainstream grants fund. This amendment has been reflected in the restated accounts – this amendment was agreed after the June Audit Committee agenda had been prepared.

- 4.4.2 **Corrected errors** – whilst the District 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 2012 there are a number of errors which were identified in the course of the audit. These concerned the disclosure of information in the notes to the financial statements and therefore did not impact on the Council's out-turn for the year or its available resources.

One item affected the balance sheet. In drawing up the 2010/11 financial statements, officers had not received final confirmation that St Paul's School had achieved trust status, so the value of the school (£76.9m) was removed during 2011/12. The work to implement the new financial system is intended to improve property records further. The related parties note has been updated to exclude disclosures that on reflection are outside the scope of the reporting requirements.

- 4.4.3 **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. Officers are reviewing debtor and creditor balances as part of preparing for the new finance system and will review year-end accruals for disclosure for the 2012/13 accounts.

- 4.4.4 **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 2011/12, subject to any further audit testing. 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.

- 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 of which he is the author

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.