

# AUDIT COMMITTEE

## Statement of Accounts 2009/10 30 June 2010

### Report of Head of Financial Services

#### PURPOSE OF REPORT

This report seeks Members' approval of the draft Statement of Accounts for 2009/10 (to be attached at **Appendix A**) and outlines the audit process for information.

**This report is public.**

#### RECOMMENDATIONS

- (1) That the Committee considers the Accounts and any issues arising.
- (2) That the draft Statement of Accounts for the financial year ended 31 March 2010 be approved, and that the Chairman signs and dates the Accounts accordingly.

#### 1 ACCOUNTS AND AUDIT REGULATIONS (AS AMENDED)

1.1 Each year Councils must make arrangements for the production, consideration, approval, inspection and audit of their accounts. The Account and Audit Regulations set out various requirements in relation to the process and in recent years they have been updated to provide for the following:

- Date of Approval  
Councils have to gain approval of their draft unaudited accounts by 30 June.
- Certification by Chief Financial Officer (CFO)  
Previously the certification of the accounts by the CFO was on a 'presents fairly' basis. This was because nationally, and mainly as a result of legislative requirements, the presentation of local authority accounts departed significantly from various financial reporting standards and what is known as generally accepted accounting practice. As a result of all the changes that have been implemented in recent years, however, from 2009/10 the certification will now be on a 'true and fair' basis. Whilst this effectively confirms that local authority published accounts now meet higher standards of accounting practice, in itself this has no significant impact on the authority's actual financial position.

- Signing of Accounts by Chairman  
The intention behind this requirement is that the Chairman's signature should represent the completion of the Council's approval process for its accounts. The requirement for him to sign does not relate to the role of the Chief Financial Officer mentioned above, as that officer alone is responsible for certifying that the statement of accounts is a proper reflection of the Council's financial affairs. Notwithstanding this, the Committee is required to consider the accounts though it is recognised that practically, it can be very difficult for Members (and others) to comment and challenge constructively on what is a very complex document. An overview of the accounts will be given at the meeting and in addition, Members may contact the Head of Financial Services beforehand, to discuss the accounts informally.
- Provision for Missing Deadline for Approval  
Where an authority fails to approve its accounts by the 30 June deadline, e.g. because of discrepancies, it must hold a further meeting within 20 days to re-consider the accounts. If it still cannot approve the accounts then, it must publish a statement as to the reasons why. It is envisaged that these provisions would be used only in exceptional circumstances.
- Annual review and statement on internal control  
This is the subject of an item elsewhere on the agenda, i.e. the Annual Governance Statement.
- Publication of Accounts  
Following the audit, the Committee will receive feedback as appropriate and if necessary, amendments to the draft accounts may need to be approved. In any event, the deadline for publishing the audited final accounts is 30 September.

## 2 KEY ISSUES AND SUMMARY POINTS ARISING

- 2.1 Members will be aware that 2009/10 has been a challenging and uncertain year financially for the Council, particularly in view of the impact of the recession and the unclear prospects for recovery of Icelandic investments. The Statement of Accounts includes various associated disclosures but for clarity, some key points are summarised below:
- After allowing for some significant additional transfers to provisions and reserves, the net underspending on General Fund was around £0.25M. There are also a number of budget carry forward requests expected from services for consideration by Members and if any are approved, this would further reduce the surplus created by the underspending.
  - The Housing Revenue Account also had a net underspending of approaching £0.2M though again, this surplus may be affected by carry forward requests.
  - With regard to Icelandic investments, whilst legal advice remains that priority status should be gained for both Landsbanki and Glitnir, it is still the case that the Winding Up Boards (WUB) of the banks have taken separate views and these will be tested through the courts; Landsbanki WUB has initially awarded priority status; Glitnir WUB has not. This makes it more difficult to reach an informed view of the most likely outcome. For the purposes of the accounts therefore, provisions have been made for around £2.2M of potential losses, which uses up the capitalisation directive and part of the allocated budget, but additionally

further amounts have been provided for in reserves to provide full cover for estimated losses in the event that priority status is not gained. KSF' prospects are unaffected by Icelandic law and they are more straight forward; estimated recovery rates for this investment have improved over the last year.

- 2.2 There will be many other issues to be considered as part of the outturn but as is usual, full reports will be presented to Members in due course. Other explanatory information on interpreting the accounts and an outline of the key issues arising are included in the 'Foreword' section, and Members may find this a useful starting point in their deliberations. (Copies of this covering report and the Foreword to the Accounts have been sent specifically to Cabinet and Budget and Performance Panel Members, for information.) It is also highlighted that in line with recommended practice, there have been some further changes to the presentation of the accounts for 2009/10 and these too will be covered at the meeting.

### **3 ACCOUNTS APPROVAL AND AUDIT OF ACCOUNTS PROCESS**

- 3.1 Under the Constitution, this Committee has specific authority to approve the Statement of Accounts. Subject to this approval being gained, the Chairman will be asked to sign and date a copy of the accounts for the purpose outlined above.
- 3.2 Subsequent to the accounts being approved, KPMG LLP, the Council's External Auditors, are due to commence the audit of accounts on Monday 05 July. The four week public inspection period commences on Wednesday 30 June and the External Auditor will be available to answer local electors' questions relating to the accounts from Wednesday 28 July. In accordance with the Regulations, these dates have been advertised in the local press and are on the website.
- 3.3 If any significant issues or 'non-trifling' matters arise during the audit these will need to be reported back for consideration by the Committee. In any event, the outcome of the audit will be included within the External Auditor's annual audit letter to the Authority, which will be reported to all Members in due course.
- 3.4 Once audited, the Statement of Accounts will be published by 30 September. Summary accounts and information will also be made available as appropriate, through other existing Council publications and the website.

### **4 Details of Consultation**

Outline arrangements for the public inspection period are referred to above. As background information, Members may wish to refer to the Audit Commission's guidance to the public regarding public inspection, available through their website (<http://www.audit-commission.gov.uk/nationalstudies/localgov/>)

### **5 Options and Options Analysis (including risk assessment)**

Members could consider and approve the accounts as set out, which would meet the statutory deadline, and they could also request further information or make supporting recommendations. As the approval process represents, in the main, an acknowledgement that the draft accounts have been completed, there are no substantive alternative options put forward. If, however, Members have significant concerns or issues, e.g. where major discrepancies seem apparent, and they do not feel in a position to approve the accounts, then the provisions for failing to meet the

statutory deadline are outlined above. It is reiterated, however, that these provisions are designed to deal with exceptional circumstances, rather than being the norm.

## 6 Conclusion

- 6.1 The approval of the Accounts by the Committee would ensure that the statutory deadline is met. Again this represents a significant achievement by all those involved in the process.

Whilst 2009/10 has been a difficult year, as at 31 March the Council has improved its financial standing to a degree, through generating net savings and other underspendings. The Council has covered all potential estimated losses in Icelandic investments, as well as earmarking further reserves to help respond to the major financial challenges that are expected in the coming months and years.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

No implications directly arising.

### **FINANCIAL IMPLICATIONS**

The Statement reflects the 2009/10 provisional outturn position, which is to be reported in more detail to Cabinet towards the end of July. Any further implications arising for current and future years will be assessed and fed through into this year's corporate financial monitoring and the review of the Medium Term Financial as appropriate.

### **SECTION 151 OFFICER'S COMMENTS**

This report was prepared by the s151 officer as part of her responsibilities. Clearly the subject of the report is subject to external audit, the outcome of which will also be reported to Members.

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no comments to add.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to add.

### **BACKGROUND PAPERS**

Accounting and Audit Regulations, as amended.

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