

AUDIT COMMITTEE – 21 SEPTEMBER 2011

FINAL STATEMENT OF ACCOUNTS 2010/11

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. Following changes to the Accounts and Audit Regulations this year, the 2010/11 Statement of Accounts certified by the Assistant Chief Executive and Chief Finance Officer was presented to the Audit Committee on 7 July 2011 to note. The revised regulations require, by 30 September 2011, the Statement of Accounts for the year ending 31 March 2011 to be considered by a committee of the Council and following that consideration, to be approved by a resolution of that committee. The Regulations also require that, following approval, the Statement of Accounts is signed and dated by the chairman of the committee approving the accounts. The Assistant Chief Executive and Chief Finance Officer must re-certify the Statement of Accounts before the committee approves it.
2. The Statement of Accounts presented for the Audit Committee's approval reflects adjustments made following the audit of the accounts. The Audit Commission's annual governance reports set out the audit differences identified during the course of the main accounts audit and the audit of the Pension Fund accounts and an explanation of the adjustments made is provided below.

Main Accounts

Core financial statements

3. Members will recall that in last year's accounts the Balance Sheet as at 31 March 2010 was adjusted to remove cash held on behalf of the Pension Fund. The Balance Sheet as at 31 March 2009 was not restated because the adjustment was not considered to be a fundamental error requiring prior period restatement under UK Generally Accepted Accounting Practice. Under International Financial Reporting Standards (IFRS) prior period restatement is required for material errors, which are an order of magnitude smaller than fundamental errors. In the 2010/11 Statement of Accounts the opening Balance Sheet for the comparative year (i.e. as at 1 April 2009) is presented because of the transition to IFRS. The cash held on behalf of the Pension Fund has been removed from this Balance Sheet because the amount is material to the accounts and therefore requires restatement. The effect of this amendment is to reduce the cash and cash equivalents balance as at 1 April 2009 from £18.916m to £7.165m overdrawn, and to remove the current liability of £26.081m as at 1 April 2009 for cash held on behalf of the Pension Fund. The amendment has also been reflected in the Cash Flow Statement and in the relevant disclosure notes.
4. A £5m Lender's Option, Borrower's Option (LOBO) loan has been reclassified from short-term to long-term in the Balance Sheet because the lender did not exercise its option to call the loan on the 31 July 2011 and the next call date is 31 July 2016. This constitutes an adjusting post balance sheet event. The amendment has been reflected in the corresponding financial instruments notes.
5. The finance liability in the Balance Sheet has been split between short-term (£0.526m at 31 March 2011) and long-term (£20.669m at 31 March 2011), whereas previously it was all shown as long-term. This also applies to the previous' years balances and has been reflected in Note 4 *Adjustments to prior year comparatives*.

Notes to the core financial statements

6. The carrying values and fair values of financial liabilities at amortised cost disclosed in Notes 37 *Financial Instrument Carrying Values* and 38 *Financial Instrument Fair Values* have been amended to include receipts in advance (creditors) previously excluded due to a formula error.
7. Commentary has been added to Note 23 *Grant Income* to explain that the County Council was notified of an additional £2.692m of Dedicated Schools Grant for 2010/11 at the end of June, after the accounts had been authorised for issue. Although this is an adjusting post balance sheet event the accounts have not been amended because the amount is not considered to be material to the financial statements.
8. In Note 16 *Operating Leases* the commitments for future minimum lease payments have been amended to correct the contract length of an embedded property lease.
9. The numbering of the notes has been amended to remove some duplication and minor textual changes have been made to Notes 21 *Retirement Benefits*, 46 *Risks arising from financial instruments*, 58 *Capital Adjustment Account* and 62 *Cash Flow Statement – Non-cash Movements*.

The Local Government Pension Fund Accounts

10. The Net Assets Statement has been amended to move £0.892m of cash held by the County Council on behalf of the Pension Fund from Other Assets to Cash. Additional disclosures have been added in relation to risks arising from financial instruments and a liability arising from a decision of the Pensions Ombudsman. Further clarification has been added to the note on the actuarial present value of promised retirement benefits and further analysis is provided in the other assets and liabilities notes.

Annual Governance Statement

11. The text has been amended at paragraph 57 to clarify that the progress report related to the 2010/11 AGS Action Plan, not that for 2009/10.

Management Representation Letter

12. Auditing standards require the Audit Commission to obtain representations from management on certain matters material to their audit opinion. The Audit Committee are required to consider and approve the management representation letter before it is signed by the Assistant Chief Executive and Chief Finance Officer.

Conclusion

13. The main audit differences relate to the removal of the cash held on behalf of the Pension Fund from the 1 April 2009 Balance Sheet and the classification of liabilities on the Balance Sheet as short-term or long-term. Other changes relate to correction of non-material errors, some additional disclosures and minor changes to the notes to the accounts.

RECOMMENDATION

14. The Committee is RECOMMENDED to:

- (i) Consider and approve the Statement of Accounts for 2010/11 (signed by the Chairman of the Committee) for publication by 30 September 2011;**
- (ii) Consider and approve the Management Representation Letter 2010/11.**

SUE SCANE

Assistant Chief Executive and Chief Finance Officer

Background Papers: Nil

Contact Officer: Stephanie Skivington, Strategic Finance Manager (Financial Accounting & Reporting) Tel: (01865) 797443

September 2011