

CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Resources

TO: Civic Affairs Committee

19/9/2012

WARDS: None directly affected

AUDIT COMMISSION ANNUAL GOVERNANCE REPORT AND APPROVAL OF STATEMENT OF ACCOUNTS

1 INTRODUCTION

- 1.1 The Audit Commission has now largely completed the audit of the Statement of Accounts for 2011/12. However, before the District Auditor gives his formal opinion on the accounts there is a requirement to present the Annual Governance Report and to obtain a letter of management representation signed by both the Director of Resources and a member on behalf of 'those charged with governance.' Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.
- 1.2 The Annual Governance Report is attached at Appendix A and a representative from the Audit Commission will be at the meeting to present and discuss the contents.
- 1.3 The Accounts and Audit Regulations require that the accounts be approved by resolution of a committee of the Council (or the full Council) by 30 September 2012. Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.
- 1.4 A version of the Annual Report incorporating a brief summary of the Statement of Accounts has now been drafted based on the audited financial statements.

2. RECOMMENDATIONS

- 2.1 That the Committee receive the Annual Governance Report presented by the Audit Commission.

- 2.2 That the Statement of Accounts for the year ending 31 March 2012 be approved.
- 2.3 That the Chair of the meeting be authorised to sign the Letter of Representation and audited Statement of Accounts for the financial year ending 31 March 2012 on behalf of the Council.

3. BACKGROUND

- 3.1 Approval of the Statement of Accounts for 2011/12 by the Civic Affairs Committee and publication of those accounts is required by 30 September 2012, in line with the Accounts and Audit Regulations.
- 3.2 The Civic Affairs Committee reviewed the draft Statement of Accounts for 2011/12 on 27 June 2012. The Audit Commission have since been carrying out their audit. Changes made to the accounts since the draft was reviewed by the Committee in June are discussed in section 4 below and are presented in Appendix B.
- 3.3 International Auditing Standard (UK and Ireland) 260 requires auditors to communicate a number of matters to those charged with governance, before issuing their audit opinion.
- 3.4 International Auditing Standard (UK and Ireland) 580 requires the auditor to have received a Letter of Representation drawn up by the Council that provides written confirmation on matters that might be relevant or significant to the statement of accounts. This letter is signed as near as possible to the date of the auditor issuing his opinion. The auditing standard requires that the letter is 'discussed and agreed by those charged with governance and signed on their behalf..... to ensure that all those charged with governance are aware of the representations on which the auditor intends to rely in expressing the auditor's opinion on those financial statements'. The Audit Commission therefore requires the Letter of Representation to be signed by the Director of Resources and by the Chair of Civic Affairs Committee. A draft of the letter is included (at appendix 3) within the Annual Governance Report presented in Appendix A.

4. CHANGES TO THE ACCOUNTS SINCE CIVIC AFFAIRS APPROVAL

- 4.1 A schedule of changes made to the accounts, since presentation of the draft to Civic Affairs in June 2012, is provided at Appendix B. The revised version of the Annual Report and Statement of Accounts, incorporating these changes, is provided at Appendix C.

- 4.2 The adjustments required to the main financial statements have had no impact on the Council's usable financial reserves or total comprehensive income and expenditure as reported in June 2012.
- 4.3 As detailed in the Movement in Reserves Statement on page 9 of the Statement of Accounts, usable reserves totalled £55.5 million at 31 March 2012. These reserves comprised:

	£'000
General Fund Balance	(9,458)
Housing Revenue Account Balance	(6,974)
Earmarked General Fund Reserves	(19,706)
Earmarked HRA Reserves	(2,472)
Capital Receipts Reserve	(10,420)
Major Repairs Reserve	(1,171)
Capital Grants Unapplied	(5,261)
Total Usable Reserves	(55,462)

- 4.4 Further detail on the earmarked reserves can be found in Note 5 to the Statement of Accounts.
- 4.5 The remaining adjustments have been made to correct typographical errors or to aid understanding of the disclosure notes.

5. SUMMARY STATEMENT OF ACCOUNTS

- 5.1 The audited statement of accounts is required to follow a largely prescribed format as laid down by The Code of Practice of Local Authority Accounting in the United Kingdom.
- 5.2 A brief summary of the accounts, designed to be easier for the general public to interpret, together with the annual report has been drafted and is provided at Appendix D for information. This document will be published on the Council's website together with the full version.

6. COMPLETION OF THE 2011/12 AUDIT

- 6.1 The Audit Commission plan to issue the audit certificate shortly after the committee meeting. This will mark the completion of the audit of the financial statements.

- 6.2 Ernst and Young were formally appointed as auditors for 2012/13 on 1 September 2012. The existing Audit Commission staff in the Eastern Region will transfer to Ernst and Young on 31 October, and will deal with any outstanding matters in relation to 2011/12. The Director of Resources, in his role as Section 151 Officer, will liaise with the auditors, in consultation with the Chair and Spokes if required, to finalise any 2011/12 audit matters as soon as possible.

7. **IMPLICATIONS**

(a) **Financial Implications** None

(b) **Staffing Implications** None

(c) **Equal Opportunities Implications**

An Equalities Impact Assessment was not required as no revision to a strategy, policy, plan, service or contract is being proposed. The Statement of Accounts and the summary document can be made available in accessible formats on request.

(d) **Environmental Implications**

None. Paper copies of the Annual Report and Statement of Accounts and Summary document will only be produced on request. Electronic versions will be available on the Council's website.

(e) **Community Safety** None

8. **APPENDICES**

A. Audit Commission Annual Governance Report

B. Schedule of Changes to the Accounts

C. Annual Report and Statement of accounts for the Year Ending
31 March 2012

D. Annual Report and Summary Statement of Accounts (DRAFT)

9 BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

None

The author and contact officer for queries on the report is Charity Main on extension 8152.