

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Director of Resources

TO: Civic Affairs Committee

19/9/2013

WARDS: None directly affected

### **ERNST AND YOUNG EXTERNAL AUDIT CONCLUSIONS AND APPROVAL OF STATEMENT OF ACCOUNTS**

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#### **1 INTRODUCTION**

- 1.1 Ernst and Young has now largely completed the audit of the Statement of Accounts for 2012/13. However, before giving the formal opinion on the accounts there is a requirement to present their audit findings 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 Ernst and Young's report on their audit is attached at Appendix A and a representative 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 2013. 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 report presented by Ernst and Young.

- 2.2 That the Statement of Accounts for the year ending 31 March 2013 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 2013 on behalf of the Council.

### **3 BACKGROUND**

- 3.1 Approval of the Statement of Accounts for 2012/13 by the Civic Affairs Committee and publication of those accounts is required by 30 September 2013, in line with the Accounts and Audit Regulations.
- 3.2 The Civic Affairs Committee reviewed the draft Statement of Accounts for 2012/13 on 26 June 2013. Ernst and Young 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'. Ernst and Young 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 C.

### **4 CHANGES TO THE ACCOUNTS SINCE CIVIC AFFAIRS REVIEW IN JUNE**

- 4.1 A schedule of changes made to the accounts, since presentation of the draft to Civic Affairs in June 2013, is provided at Appendix B. The revised version of the Annual Report and Statement of Accounts, incorporating these changes, is provided at Appendix D.

- 4.2 In particular, consensus has been reached with external audit on the accounting treatment of HRA properties earmarked for redevelopment and disposal.
- 4.3 The adjustments required to the main financial statements have had no impact on the Council's total usable financial reserves as reported in June 2013.
- 4.4 As detailed in the Movement in Reserves Statement on Page 9 of the Statement of Accounts, usable reserves totalled £60.1 million at 31 March 2013. These reserves comprised:

	<b>£'000</b>
General Fund Balance	(7,995)
Housing Revenue Account Balance	(5,495)
Earmarked General Fund Reserves	(20,236)
Earmarked HRA Reserves	(3,863)
Capital Receipts Reserve	(13,210)
Major Repairs Reserve	(5,111)
Capital Grants Unapplied	(4,155)
<b>Total Usable Reserves</b>	<b>(60,065)</b>

- 4.5 Further detail on the earmarked reserves can be found in Note 5 to the Statement of Accounts.
- 4.6 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 on 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 E for information. This document will be published on the Council's website together with the full version.

## 6 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) **Procurement** None

(f) **Consultation and communication**

The full and summary accounts will be published on the Council's website. A notice advertising that the audit of the accounts has been concluded will be published in the Cambridge News and on the website.

(g) **Community Safety** None

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

None

To inspect these documents contact Charity Main on extension 8152.

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

Report file:

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