

Audit Committee

31 October 2011



**Statement of Accounts for the year ended
31 March 2011**

Report of Don McLure, Corporate Director Resources Cabinet Portfolio Member for Resources, Councillor Alan Napier

Purpose of the Report

- 1 To seek approval of the attached Statement of Accounts for the County Council for the financial year ended 31 March 2011.

Background

- 2 The 'Accounts and Audit Regulations 2003' as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2009 and 2011 (the Regulations) set out the requirements for the production and publication of the annual Statement of Accounts.
- 3 Approval of the Statement of Accounts is a two stage approval process; the first stage in June was to have the Corporate Director Resources as the Section 151 Officer for the County Council sign and date the Statement of Accounts, and certify that it presents a true and fair view of the financial position of the County Council as at 31 March 2011. The Statement of Accounts is then subject to the views of the External Auditor.
- 4 The second stage, as set out in the Regulations require that on or before the 30 September, final approval needs to be given to the Statement of Accounts and the Annual Governance Statement that take into account the views of the External Auditor. This is done so that the Statement of Accounts can then be published.
- 5 As the Statement of Accounts was not completed at 30 September 2011, this approval is now requested of the Audit Committee at this meeting.
- 6 The Auditor will have completed the audit of the Statement of Accounts by the date of this meeting and the Annual Governance Report will be presented by the Auditor to the Committee.
- 7 During the audit, working in collaboration with the Auditor, a number of amendments have been identified and have been included in the Statement of Accounts presented today.

Statement of Accounts

- 8 The Statement of Accounts for the financial year 2010/11 is prepared in accordance with the 'Accounts and Audit Regulations 2003', as amended by the 'Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the 'Accounts and Audit (England) Regulations 2011' and the 'Code of Practice on Local Authority Accounting 2010/11' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 9 The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board (IPSAS) and the UK Accounting Standards Board where these provide additional guidance. In England and Wales, the local authority Code constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The County Council is therefore legally required to follow this Code of Practice. Explanatory notes are included to assist in the interpretation of the accounts, which are unfortunately, unavoidably technical and complex.
- 10 The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. IFRS has required changes to the format of the main financial statements and has increased the number of disclosure notes. It has also led to the restatement of various balances, resulting in changes in the amounts presented in the Statement of Accounts from the equivalent balances presented in 2009/10. Although the changes have an impact on the content and format of the accounts, they are technical accounting changes that do not have a material impact on the financial performance of the County Council. The IFRS 1 note in the Notes to the Accounts details the movement in the Balance Sheet as a result of the move from UK GAAP to IFRS as at 31 March 2010 and 1 April 2009
- 11 A number of changes to the Notes to the Core Financial Statements to assist the reader's understanding of the document, to correct errors and ensure compliance with the requirements of the Code have been made.
- 12 During the Auditor's consideration of the Statement of Accounts a number of material errors and areas of non-compliance with the Code were identified and have been amended in the Statement of Accounts. These are listed in the Annual Governance Report.
- 13 In addition, a number of non material misstatements have been identified and remain unadjusted. These are listed in the Annual Governance Report. The total of these unadjusted misstatements do not materially affect the accuracy/integrity of the Statement of Accounts. It is not intended to adjust the Statement of Accounts for these items.

- 14 The audit of the Statement of Accounts will be complete by 31 October and there may be additional misstatements which may be adjusted or remained unadjusted. Should there be any, these will be presented to the Committee on 31 October.
- 15 At the time that the audit of the accounts is completed, a “letter of representation” will be completed and the reasons for not adjusting these items will be set out in that letter.
- 16 To help Members in reading and interpreting the contents, Appendix 2 to this report briefly explains the purpose of each section of the Statement.

Audit Opinion

- 17 On completion of the audit of the accounts, auditors must give their opinion on the financial statements of Durham County Council, the Group and the Pension Fund, including:
- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
 - whether they have been prepared properly, in accordance with the relevant accounting rules.
- 18 The Auditor can issue a ‘qualified opinion’ where he has some reservations or concerns, or an ‘unqualified opinion’ where he does not have any reservations.
- 19 In addition, the Auditor issues a ‘Value for money conclusion’ which is the auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Auditor’s opinion considers whether the County Council has proper arrangements for:
- Securing financial resilience, and
 - Challenging how it secures economy, efficiency and effectiveness.
- 20 For 2010/11 the Auditor intends to issue an unqualified opinion on the accounts of the County Council, the Group Accounting Statements and the Pension Fund Accounting Statements and the Value for Money conclusion.

Recommendation

- 21 That the Audit Committee approves the attached Statement of Accounts for the County Council for the financial year ended 31 March 2011.

Appendix 1: Implications

Finance –

Details the financial position at 31 March 2011.

Staffing -

None

Risk -

None

Equality and Diversity -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability Discrimination Act -

None

Legal Implications -

None

Appendix 2: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Explanatory Foreword	3 - 28	Summary of the most significant matters reported in the accounts, and the overall financial position of the County Council.
Independent Auditor's Report to Durham County Council	29 - 34	Gives the Independent Auditor's opinion on the Financial Statements. The opinion is that the Financial Statements presents a true and fair view and in accordance with legal and regulatory requirements the Council's, Group's and Pension Fund's financial position as at 31 March 2011.
Durham County Council Core Financial Statements		
Movement in reserves statement	35 - 36	<p>This statement is a summary of the changes that have taken place in the bottom half of the balance sheet over the financial year.</p> <p>This statement shows the movement in reserves held by the County Council analysed into 'usable' reserves and 'unusable' reserves.</p>
Comprehensive Income and Expenditure Statement	37	<p>This statement brings together all the gains and losses of the County Council for the financial year and shows the aggregate movement in the net worth in the Balance Sheet.</p> <p>The CIES is in two sections. The first section is very similar to the Income and Expenditure Account under the SORP and shows the surplus or deficit on the cost of services. The second section is very similar to the Statement of Total Recognised Gains and Losses (STRGL) under the SORP and shows any changes in the net worth that have not been reflected in the cost of services.</p>

Item	Pages	Explanation of Purpose and Content
Balance Sheet	38	<p>Shows the financial position of the County Council at 31 March 2011(excluding the Pension Fund and other Trust Funds).</p> <p>The balance sheet's top half shows the assets and liabilities; what the County Council owns and what it owes, and in its bottom half reserves, as a local authority does not have equity. The reserves fall into two categories, 'usable' reserves and 'unusable' reserves.</p> <p>Usable reserves include revenue and capital resources available to fund future expenditure e.g. General Fund Balance.</p> <p>Unusable reserves include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment e.g. Revaluation reserve, and adjustment accounts that take into account the differences between proper accounting practice and the requirements of statutory funding arrangements e.g. Capital Adjustment Account and Pensions Reserve.</p>
Cash Flow Statement	39	Summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes.
Notes to the Core Financial Statements	40 - 110	Gives further explanation to the core financial statements. They aim to assist understanding by analysing balances shown in the Core Financial Statements and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts and shows the policies and procedures adopted in compiling the Accounts.
Durham County Council Group Financial Statements	111 - 123	Gives an overall understanding of the County Council's economic activities and financial position by including in Group Financial Statements other entities over which the County Council has the ability to exercise control.
The Housing Revenue Account (HRA)	124 – 128	Records revenue expenditure and income relating to the Authority's housing stock. It is a statutory ring-fenced from the General Fund. It ensures that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants.
Collection Fund	129 – 133	It is a statutory requirement for a billing authority to establish and maintain a separate fund for the collection and distribution of amounts in respect of council tax and National Non-Domestic Rates

Item	Pages	Explanation of Purpose and Content
Durham County Council Pension Fund Accounts	134 – 165	Full accounts and notes relating to Durham County Council Pension Fund to provide information about the financial position, performance and financial adaptability of the Fund.
Statement of Responsibilities for the Statement of Accounts	166	Sets out the responsibilities of the Council and the Corporate Director Resources for the Statement of Accounts.
Annual Governance Statement	167 - 178	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the County Council.
Glossary of Terms used in the Accounts	179 - 190	To help the reader understand terminology used in the Statement of Accounts.