

Audit Committee

27 September 2012



Statement of Accounts for the year ended 31 March 2012

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 2012.

Background

- 2 The 'Accounts and Audit Regulations 2011' introduced a two stage approval process for the Statement of Accounts; the first stage is in June each year. The Regulations require that the responsible financial officer, by no later than 30 June 2012, signs and certifies that the Statement of Accounts presents a true and fair view of the financial position of the County Council for the year to 31 March previous, subject to the views of the External Auditor. This stage was completed on 29 June 2012.
- 3 The second stage, as set out in the Regulations, requires that on or before the 30 September, approval needs to be given to the Statement of Accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take into account the views of the External Auditor. This is done so that the Statement of Accounts can then be published.
- 4 The Auditor will have completed the audit of the Statement of Accounts by the date of this meeting and any amendments to the Statement of Accounts and the Annual Governance Report will be presented by the Auditor to the Committee.
- 5 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

- 6 The Statement of Accounts for the financial year 2011/12 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 2011/12' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 7 The Code is based on approved accounting standards. 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 in the document to assist in the interpretation of the accounts, which unfortunately are unavoidably technical and complex.
- 8 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.
- 9 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.
- 10 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.
- 11 The audit of the Statement of Accounts will be complete by 30 September and there may be additional misstatements which may be adjusted or remain unadjusted. Should there be any, these will be presented to the Committee on 27 September.
- 12 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.
- 13 To help Members in reading and interpreting the contents, Appendix 2 to this report briefly explains the purpose of each section of the Statement. Page numbers used in Appendix 2 refer to the page numbers on the Statement of Accounts document and not those on the full pack of reports.

Audit Opinion

- 14 On completion of the audit of the accounts, auditors must give their opinion on the financial statements of Durham County Council and the Pension Fund, including:
 - whether they give a true and fair view of the financial position of the audited body and its expenditure and income for the year in question; and
 - whether they have been prepared properly, in accordance with the relevant accounting rules.

- 15 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.
- 16 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.
- 17 For 2011/12 the Auditor intends to issue an unqualified opinion on the accounts of the County Council and the Pension Fund Accounting Statements. He also concluded that proper arrangements had been put in place to secure economy, efficiency and effectiveness in the County Council's use of resources, the Value for Money conclusion.
- 18 The Auditor cannot formally conclude the audit and issue an audit certificate until the audit work on the Whole of Government Accounts consolidation pack is completed. The Auditor is, however, satisfied that this work will not have a material effect on the financial statements or his value for money conclusion.

Recommendation

- 19 That the Audit Committee approves the attached Statement of Accounts for the County Council for the financial year ended 31 March 2012.

Appendix 1: Implications

Finance

This report details the financial position of the County Council as at 31 March 2012.

Staffing -

None

Risk -

None

Equality and Diversity -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability -

None

Legal Implications -

None

Appendix 2: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Explanatory Foreword	3	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	30 - 34	Once the Audit is completed the Auditor's report will be included.
Durham County Council Core Financial Statements		
Movement in Reserves Statement	35 – 36	This statement shows the movement in the year on the different reserves held by the County Council analysed into 'usable' reserves and other reserves
Comprehensive Income and Expenditure Account (CIES)	37	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Balance Sheet	38	The Balance Sheet shows the value as at the Balance Sheet date (31 March 2012) of the assets and liabilities recognised by the County Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the County Council.
Cash Flow Statement	39	The Cash Flow Statement shows the changes in cash and cash equivalents of the County Council during the reporting period. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
Notes to the Core Financial Statements	40 - 108	The notes are important in the presentation of a true and fair view. They aim to assist in understanding by presenting information about the basis of preparation of the core financial statements; by disclosing information required by the Code that is not presented elsewhere; 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.

Item	Pages	Explanation of Purpose and Content
The Housing Revenue Account (HRA)	109 - 113	The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
Collection Fund	114 - 119	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the County Council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Durham County Council Pension Fund Accounts	120 – 150	Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March 2012. Following the Accounts are notes providing further information.
Statement of Responsibilities for the Statement of Accounts	151	Sets out the responsibilities of the County Council and the Corporate Director Resources for the Statement of Accounts.
Annual Governance Statement	152 - 161	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	162 - 173	To help the reader understand terminology used in the Statement of Accounts.