

**APPROVAL FOR THE PUBLICATION OF THE
2011/12 STATEMENT OF ACCOUNTS
(Report by the Head of Financial Services)**

1. PURPOSE

- 1.1 To complete the process publishing the Council's accounts for 2011/12.

2. BACKGROUND

- 2.1 The Panel is designated as "those charged with governance" and consequently, is required to approve the Statement of Accounts prior to publication. Consequently, the Panel has to:

- Approve the Annual Governance Statement (earlier item on your agenda).
- Receive the Auditors Report.
- Approve the Letter of Representation to the external auditor.
- Approve the Statement of Accounts and authorise the Chair of the Panel to sign them on behalf of the Panel.

3. RECEIVING THE AUDITOR'S REPORT (ISA 260 REPORT)

- 3.1 At the time of writing this report the audit is not finalised but the Council's external auditors, PricewaterhouseCoopers, have reached a position where they feel able to provide you with a draft ISA 260 report on the audit. This is attached as Annex A. They will also provide an update at the meeting on the date they expect to be able to provide their formal audit opinion so the accounts can be finalised and published.
- 3.2 They comment in their covering letter on the "***significant progress management have made in preparing the financial statements.....such that the audit is largely complete***" and "***the general quality of the draft accounts and working papers we reviewed this year shows that the lessons from 2010/11 have been learnt***".
- 3.3 The main issues that they raise are:
- **Quality of working papers**
It is accepted that there were weaknesses in some working papers due to the pressure of working on two year's accounts this year. There are already plans to resolve this for next year's audit.

- **Various suggestions for improvements to our processes for capital accounting and depreciation**
Each of these suggestions will be discussed in detail with PWC with the intention of agreeing an approach that is acceptable to them whilst minimising the cost/resource to the Council.
- **Reviewing our policy and basis for the calculation of the provision for bad debts.**
This will be reviewed and any proposals to change the policy will necessarily be reported to the Panel.
- **Reviewing whether the current processes for dealing with Journals is still appropriate.**
This will be reviewed and a risk assessment undertaken to ensure that the current or alternative approach is soundly assessed.

3.3 All of the changes that the auditors have requested have been made. Only one change affects the Councils revenue reserves. This was the deletion of a £200k provision towards the expected run-off costs of Municipal Mutual Insurance. PWC consider that there is insufficient evidence to support a formal provision at this stage and so revenue reserves are now £200k higher than in the draft accounts. There will be costs from this run-off and so allowance will need to be made in the calculation of the minimum level of general reserves.

4. APPROVE THE LETTER OF REPRESENTATION

4.1 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate. The proposed wording is included at the end of the Auditor's report as Appendix 2. It is best practice for the Panel to approve the content of this letter and once approved, to authorise the Managing Director, Resources to sign it on behalf of the Council.

5. APPROVE THE STATEMENT OF ACCOUNTS

- 5.1 The Accounts and Audit Regulations, require the Panel to approve the Statement of Accounts prior to their publication. A copy of the latest, and potentially final, version is attached at Annex C.
- 5.2 It is still feasible that PWC may identify further changes in the final days of the audit and so it would be prudent to give the Managing Director (Resources) delegated authority to make any non-material final changes required by PWC, after consultation with the Panel's

