

TITLE OF REPORT: **Audit Commission Annual Governance Report and Gateshead Council Statement of Accounts 2011/12**

REPORT OF: **Derek Coates, Strategic Director, Finance & ICT**

Purpose of the Report

1. This report requests that the Accounts Committee:
 - note the contents of the covering report at Appendix 1;
 - note the Audit Commission's 2011/12 Annual Governance Report (Appendix 2), including the Council's arrangements for securing economy, efficiency and effectiveness;
 - approve the issue of a Letter of Representation (Appendix 3); and
 - approve the publication of the Council's 2011/12 Statement of Accounts (Appendix 4).

Background

2. The annual audit of the Council's Statement of Accounts and use of resources has now been completed for 2011/12 and the Audit Commission has issued its report.
3. The Annual Governance Report covers:
 - the Council's Statement of Accounts; and
 - the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Proposal

4. The proposal is for the Accounts Committee to note the contents of the Audit Commission's Annual Governance Report including arrangements for securing economy, efficiency and effectiveness, approve the issue of the Letter of Representation by the Strategic Director, Finance & ICT on behalf of the Council, and approve the Council's 2011/12 Statement of Accounts for publication.

Recommendations

5. The Accounts Committee is requested to:
 - note the contents of the Audit Commission's Annual Governance Report and the covering report at Appendix 1;
 - approve the issue of the Letter of Representation by the Strategic Director, Finance & ICT on behalf of the Council; and
 - approve the Council's 2011/12 Statement of Accounts for publication.

for the following reason(s)

- (i) to comply with legal requirements and the Council's Constitution.
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Policy Context

1. The proposals in this report are consistent with Vision 2030 and the Council's Corporate Plan. In particular, they contribute to achieving a sustainable financial position over the life of the Council Plan and the Medium Term Financial Strategy (MTFS).

Background

2. The updated Accounts and Audit (England) Regulations 2011 removed the requirement to present the unaudited statement to the Accounts Committee for approval prior to submission to the external auditor. From 2010/11 onwards, only the approval of the responsible officer (the Strategic Director, Finance & ICT) is required prior to audit, consistent with the private sector and other areas of the public sector.
3. The annual audit of the Council's 2011/12 Statement of Accounts has now been completed. The Audit Commission is required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies to:
 - Issue a report to those charged with governance summarising its conclusions from their audit work by 30 September 2012;
 - Report to those charged with governance certain matters before giving its opinion on the financial statements. The section of the report covering the financial statements fulfils this requirement; and
 - Issue a conclusion relating to proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
4. The report covers:
 - The Council's financial statements; and
 - The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Annual Governance Report

5. The Audit Commission's Annual Governance Report is included as Appendix 2 to this report. The report's key messages are as follows:
 - Audit Opinion - the Audit Commission has issued an unqualified opinion on the Statement of Accounts, meaning that it is free from material error and has been prepared in accordance with proper practice; and
 - Use of resources – the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
6. The report also includes a Letter of Representation to the District Auditor, to be approved by the Committee prior to being signed by the Strategic Director, Finance & ICT, attached as Appendix 3.
7. The Council's 2011/12 Statement of Accounts, amended for any adjustments identified during the audit, is shown at Appendix 4. The Statement of Accounts is consistent with the revenue and capital outturn reports considered by Cabinet in June 2012. Along with minor adjustments and presentational changes, the following adjustments have been made to the statement submitted for audit on 30 June 2012:

- Componentisation: the opening net book value of the newly componentised assets was not allocated to each component, which meant that the revaluation reserve increase and the charge within the Comprehensive Income and Expenditure Statement were initially overstated. There was no impact on the net revaluation movement or the closing net book value for any of the assets. Apportioning the opening book value over the components meant that the movements arising from the year-end revaluation of the Council's assets were more appropriately reflected within the Statement of Accounts.
 - Loans to third parties for capital purposes were initially treated as revenue expenditure funded from capital under statute (REFCUS), having met the relevant criteria for capitalising the expenditure. However, it was considered more appropriate to recognise the initial payments as long-term debtors on the Council's Balance Sheet.
8. Neither of these adjustments impact on the revenue and capital outturn positions reported to Cabinet in June 2012.

Consultation

9. There has been no external consultation on this report.

Alternative Options

10. There are no alternative options proposed. The Council is obliged by statute to publish the Statement of Accounts.

Implications of Recommended Option

11. **Financial Implications** – The Strategic Director, Finance & ICT confirms that the financial implications are as set out in this report and in the 2011/12 Statement of Accounts.
12. **Risk Management Implication** – no additional risks have been identified in this report or in the completion of the 2011/12 Statement of Accounts.
13. **Human Resources Implications** – There are no human resources implications associated with this proposal.
14. **Equality and Diversity Implications** – There are no equality and diversity implications associated with this proposal.
15. **Crime and Disorder Implications** – There are no crime and disorder implications associated with this proposal.
16. **Sustainability Implications** – There are no sustainability implications associated with this proposal.
17. **Health Implications** - There are no health implications associated with this proposal.
18. **Human Rights Implications** – There are no human rights implications associated with this proposal.
19. **Area and Ward Implications** – There are no area and ward implications associated with this proposal.