

INFORMAL REVIEW OF DRAFT FINANCIAL STATEMENTS 2011/12 (subject to audit)

Meeting on 21 June 2012

Membership

Councillor Trevor Stevens (Chairman)
Councillor Mike Kerford- Byrnes (Vice-Chairman)
Councillor Andrew Beere
Councillor Colin Clarke
Councillor Andrew Fulljames
Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

Officers:

Karen Curtin – Head of Finance and Procurement
Karen Muir – Corporate System Accountant
Edward Cooke – Technical Accountant (secondment)

1) Introduction

The purpose of this document is to provide a guide to the role that the Audit Committee will have in ensuring the robust scrutiny of the financial statements and set the objectives for the meeting.

The draft accounts for 2011/12 have been prepared for the second year under International Financial Reporting Standards (IFRS).

2) The role of the Accounts, Audit & Risk Committee

The Audit Committee reports to the full Council. It has right of access to all the information it considers necessary and may consult directly with internal and external auditors. The Committee is responsible for fulfilling responsibilities in relation to the production of the annual accounts and financial statement, for reviewing the external auditor's reports, the Annual Audit and Inspection Letter and internal audit's annual report, and monitoring any associated action plans. It may also review and make recommendations on systems of internal control, including financial, operational, compliance and risk management. The Audit Committee is responsible for reviewing the annual Statement of Accounts, but under new regulations, does not have to formally approve them. This responsibility has now been delegated to the Chief Financial Officer.

Council Members have an important role when they approve the local authority's accounts. Effective review and questioning by this committee is an essential part of good governance. However, this can be a challenging and daunting task for Members and you may feel that you need support to ensure that your members and audit committee, understand the key areas of the IFRS local authority accounts closedown for 2011/12.

3) Changes to Regulations

The regulations state that whilst the statement of accounts must be approved no later than 30 June immediately following the end of a year, the draft statement of accounts can now be approved by the responsible financial officer rather than Audit Committee. The responsible financial officer for the council is the section 151 officer (Director of Resources) Martin Henry.

The responsible financial officer will need to certify for audit that the draft statement of accounts present a true and fair view of the financial position of the council.

Regulation 8 does retain the requirement for a committee to consider and ultimately approve the statement of accounts post audit by 30 September in the year immediately following the end of the year which the statement of accounts relates.

Whilst there is no statutory requirement for Audit Committee to approve the draft statement of accounts by 30 June the Chairman and Head of Finance and Procurement recognises that it would be good practice to provide the Audit Committee with the opportunity to scrutinise the statements. This will take place on 20 June 2012 and a report that sets out the key financials from the statement of accounts and the questions asked by members will be circulated ahead of the formal meeting on Wednesday 27 June 2012.

4) Accounts Review Meeting

The objectives of the meeting will be to:

- Review Financial Statements 2011/12 (subject to audit) in detail
- Challenge the detail and understand movements from prior year
- Recommend additional disclosures or format improvements
- Recommend that the 'subject to audit' Statement of Accounts approval and sign-off be delegated to the Chief Financial Officer for signing on or before the statutory deadline of 30th June 2012.
- Review Annual Governance Statement

5) The Annual Statement of Accounts

The Chief Financial Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with 'The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12: A Code of Practice (The Code)'. The Code specifies the minimum standards and information that must be included in the statement. The purpose of the published statement of accounts is to give electors, local taxpayers, members of the authority and other interested parties clear information about the Council's finances.

The following financial statements are included within the Accounts: -

Chief Financial Officer's Explanatory Foreword

Provides a brief outline of the purpose and structure of the Financial Statements and the Council's financial position compared with its budget for the year.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves (largely notional accounts for statutory and capital accounting adjustments).

Comprehensive Income and Expenditure Account

Outlines the expenditure, income and net cost for the year of all the Council's revenue services and functions, and shows how this has been financed from general Government grants and income from local taxpayers. This takes into account all money owed to or by the Council and ensures the true cost of services is shown. This statement is prepared on an accruals basis.

Balance Sheet

The Balance Sheet sets out the overall financial position of the Council at the 31 March 2012 showing its assets, liabilities and reserves.

Cash Flow Statement

Records the movements of cash into and out of the Council arising from transactions with third parties. This is different from the Comprehensive Income and Expenditure Account which

includes monies due to the Council or monies owed by the Council in the year, irrespective of whether these monies have been received or paid.

Notes to the Core Financial Statements

There are a number of notes to assist the reader or provide more detail of various items within the statement. Within these now sits the Statement of Accounting Policies which explains the basis on which the figures in the accounts have been prepared. These were approved in draft form at the March meeting of the Audit Committee

Collection Fund and Notes

The Council has a legal duty to keep a separate account for council tax and business rates (NNDR), together with any transactions on residual community charges. The account shows the income collected on behalf of Oxfordshire County Council and Thames Valley Police Authority and the subsequent payment of that money (by precept) to those authorities. The council tax collected for Cherwell District Council, as well as the amounts for parishes, is shown in both the Collection Fund and the Income & Expenditure Account. Balances within the Collection Fund at the end of the year are also included within the Consolidated Balance Sheet.

Pension Fund Accounts

This details the Councils position on assets and liabilities within the pension fund which is administered by Oxfordshire County Council and the assumptions used to formulate valuations for IAS19 purposes.

Annual Governance Statement

The Annual Governance Statement previously formed part of the Statement of Accounts, but under new regulations is now a separate document.

6) Commentary on Financial Statement 2011/2012

A vital part of the scrutiny of the Financial Statement is an analytical review of the key variances on actual spending or income from one year to the next. The revenue and capital outturn reports have been reviewed by the Executive on 18th June 2012 and attached is an analytical review of the Comprehensive Income and Expenditure Statement and Balance Sheet.

7) Output

A formal document will be circulated after the meeting with details of all questions asked and responses given. This document will form part of the documentation for the FORMAL meeting on Wednesday 27TH June 2012.