

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	28 September 2011
3.	Title:	Statement of Accounts 2010/11
4.	Directorate:	Financial Services

5. Summary

To advise Members of the matters arising from the external audit of the Council's 2010/11 Statement of Accounts and in acknowledging these findings request that the Audit Committee approve the Letter of Management Representations.

To seek Members' approval of the audited Statement of Accounts 2010/11.

6. Recommendations

- 1. That the Audit Committee accepts the Auditor's ISA260 report to those charged with governance attached at Appendix 1.**
- 2. That the Audit Committee approves the Statement of Accounts 2010/11 attached at Appendix 2.**
- 3. That the Audit Committee approves the Letter of Management Representations attached at Appendix 3.**

7. Proposals and Details

The Accounts and Audit Regulations required the Council's 2010/11 Statement of Accounts to be certified (in an unaudited form) by the Strategic Director of Finance as the Responsible Financial Officer no later than 30 June.

The Statement has then been subject to audit, any necessary changes have been discussed and agreed between the Section 151 Officer and the Auditor and the Statement, in its revised form, requires approval by Members prior to publication before the end of September 2011.

The Auditor's ISA 260 report (attached at **Appendix 1** to this report) sets out in detail the outcomes from the audit including any changes made to the unaudited Statement of Accounts 2010/11.

Overall, the report is an extremely positive one. As noted on page 3 of the report, a very small number of minor presentational changes were identified all of which have been corrected in the final version of the Statement of Accounts presented to Audit Committee for approval at **Appendix 2**.

None of the presentational changes made affect the financial performance or financial position of the Council reported in the unaudited Statement of Accounts approved by the Strategic Director of Finance on the 30 June 2011.

In addition, the report confirms that:

- **there are no internal control weaknesses in the Council's financial systems and procedures** were identified (other than those previously reported in the interim audit report presented to Audit Committee on 20 July 2011).
- **there are no other matters which need to be reported to Audit Committee** (see page 13 of the report).
- the audit process was fully supported through **good quality working papers and timely provision of responses to audit queries** (see page 12 of the report).
- **the one recommendation made in last year's ISA 260 report has been addressed** in preparing the 2010/11 Statement of Accounts (see page 16 of the report).

As a result of these positive assurances, KPMG anticipate being able to give an **unqualified opinion by 30 September** that the Council's Statement of Accounts provides a true and fair view of its financial position and income and expenditure for the year ended 31 March 2011 (see page 3 of the report).

These findings are excellent and very gratifying given that the 2010/11 Statement of Accounts is the first to be prepared under International Financial Reporting Standards (IFRS). The conversion to IFRS has required major changes to the way in which certain items are accounted for and to the way in which the Council's financial performance and financial position is reported. Both CIPFA and the Audit Commission have, over a long period, emphasised the many challenges to achieving a successful transition, and the need for it to be properly planned, managed and resourced.. The audit demonstrates that this has been successfully achieved and has been formally recognised in KPMG's report where the Council has been **complemented on its proactive approach** to the conversion process.

Achieving these excellent outcomes for the Council is testament to the "dedication and commitment" of all staff who have been engaged with the IFRS conversion and statement of accounts production process both within Financial Services and other Directorates (in particular, EDS Valuation Team) who have had a key role to play. It also reflects the benefit of officers undertaking early liaison meetings with the External Auditors to discuss and seek agreement to potential accounting issues affecting the 2010/11 Statement of Accounts (see pages 8 to 11 of the report)

In order for KPMG, LLP to complete their audit and satisfy International Auditing Standards, the Council is required to provide them with a written Letter of Management Representation from those charged with governance. Appropriate enquiries have already been made with officers of the Council to confirm the representations made. Appendix 3 attached to this report is the Letter of Management Representations in the format prescribed by KPMG, LLP to be approved by the Audit Committee.

8. Finance

The Statement of Accounts 2010/11 presents a true and fair view of the Council's financial position and its income and expenditure for the year ended 31 March 2011. In responding to audit matters raised by KPMG, LLP **no changes have been made to the 2010/11 outturn revenue position and reserves of the Council** previously reported to Cabinet in July.

9. Risks and Uncertainties

Any outstanding issues have been included in the ISA260 report.

10. Policy and Performance Agenda Implications

These issues are disclosed in the Auditor's ISA260 report.

11. Background Papers and Consultation

External Auditor's ISA260 Report 2010/11 (Appendix 1)

Audited Statement of Accounts 2010/11 (Appendix 2)

Letter of Management Representation (Appendix 3)

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