



## **AGENDA ITEM: 7**

### **NORTH WALES FIRE AND RESCUE AUTHORITY AUDIT COMMITTEE**

**26 September 2011**

#### **STATEMENT OF ACCOUNTS 2010-11 AND THE LETTER OF REPRESENTATION**

**Report by Ken Finch, Treasurer to the Authority**

##### **Purpose of Report**

- 1 This report is to present to Members the audited Statement of Accounts for 2010-11 for approval.
- 2 The accounts were presented to the Executive Panel on 19 September 2011. Presentation of the accounts to both committees ensures that all Authority Members will have been given the opportunity to examine and comment on the latest set of the accounts. Any comments from the Executive Panel will be advised verbally at the meeting.

##### **Information**

- 3 This is the first year the accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) which has involved a significant amount of work. The major change is in the presentation of the core financial statements (pages 24 to 27) and for the first year of transition from UK General Accepted Accounting Practice (UK GAAP) to IFRS the balance sheet shows transactions for three financial years to aid comparison with previous years. A breakdown of the impact of the implementation of IFRS can be found on page 6 of the accounts.

- 4 Also new for this year is the Annual Governance Statement (pages 8 to 16) on which a presentation was given to Members at the Audit Committee on June 6 2011. The statement replaces the Statement of Internal Control and is in accordance with the principles contained within the 'Framework for Delivering Good Governance in Local Government' issued by the Chartered Institute of Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 5 In previous years the draft Statement of Accounts would have been presented to the meeting of the full Authority in June but due to legislative changes – Accounts and Audit Regulations (Amendment Wales) 2010 – it is no longer a requirement to seek Member approval before the accounts are audited. It is, though, still a requirement that the audited accounts are approved by Members by 30 September. Delegated authority for approving the accounts has been granted to the Audit Committee.
- 6 In lieu of the draft accounts Members were presented with a Financial Performance report for 2010-11 which detailed the actual spend for the year against budget and Members approval was sought to set aside money from the underspend in to a general reserve with the underspend reported as £627k. However, during the close down process some costs were identified which should have been allocated to revenue rather than capital so this has reduced the underspend to £223k.

### **Audited Changes**

- 7 The accounts have now been audited by the Auditor appointed by the Wales Audit Office and have been amended in line with the findings from the audit and subsequent discussions over the accounting treatment, definitions and presentation of specific items within the accounts.
- 8 A detailed breakdown of the corrected misstatements identified in the draft accounts form part of the 'Audit of Financial Statements Report' which will be presented to the Audit Committee by the Appointed

Auditor with the accounts. A summary of the changes are listed below.

- a) Reclassification of short term investments to cash and cash equivalents, £2,004k;
- b) Reclassification of pension provision to earmarked reserves, £165k.

## **Letters of Representation**

- 9 Attached to this report, as appendix A, are copies of correspondence between the External Auditors and myself in respect of the audit of the accounting statements. This year there are two letters of representation. One letter of representation is to the Appointed Auditor to support the Appointed Auditor's opinion on the financial statements, in this case the Wales Audit Office. The additional letter this year is a requirement of Auditing Standards in that KPMG need to obtain representations from the Authority to support their audit opinion which is addressed to the Appointed Auditor. The letters explain the reasons for the letters of representation.

## **Recommendation**

- 10 Members approve the audited Statement of Accounts for 2010-11 and acknowledge the Letters of Representation sent to the External Auditors.