

Report submitted to Cabinet – 26 September 2006

Key Decision	No
Listed on Forward Plan	Yes
Within Policy	Yes
Policy Document	

2005/06 STATEMENT OF ACCOUNTS

Accountable Cabinet Member: Councillor Crooks

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1 Purpose

- 1.1 To note the Audit Commission's report on the 2005-06 financial statements and use of resources.
- 1.2 To review the reports and recommend to Council that the financial statements for 2005/06 be approved.

2 Recommendations

- 2.1 That the Audit Commission's unqualified opinion on the 2005-06 accounts be noted.
- 2.2 That the updated 2005/06 accounts be recommended to Council for approval.
- 2.3 That the Statement of Internal Control, that is included in the statement of accounts, be recommended to Council for approval.
- 2.4 That a letter of representation be provided by management to the Audit Commission following Council's approval.
- 2.5 That the Council be recommended to authorise the Head of Finance to agree any further amendments, unless material, in consultation with Cabinet Members.

3 Issues and Choices

3.1 Background to the Audit Commission report

The Audit Commission are required by the statutory Code of Audit Practice for Local Government bodies to issue a report to those charged with governance summarising the conclusions from their audit work. For the purposes of this report, full Council is considered to fulfil the role of those charged with governance.

The Audit Commission are required to give an opinion on whether the Council's financial statements present fairly the position of the Council as at 31st March 2006 and its income and expenditure for the year then ended.

The accounts have been completed on time both for the June 2006 approval of the draft accounts and for the post audited accounts in September 2006. This is a very positive step considering that the accounts have been closed a month earlier in line with regulations and it is the first closure on SAP.

The Audit Commission's report states that the Council, supported by its partner HBS, has made considerable improvements both in the quality of the accounts and the working papers presented for audit. This is concrete evidence of effective joint working between the Council and HBS finance teams.

Financial Statements

3.2 The Council's auditors have to report over six areas. The six areas are:

- 1 Uncorrected misstatements;
- 2 Adjusted misstatements;
- 3 Qualitative aspects of accounting practices and financial reporting;
- 4 Material weaknesses in internal control identified during the audit;
- 5 Matters specifically required by other Auditing Standards;
- 6 Any other matters of governance interest.

3.3 The Audit Commission's report is attached at **Annex A**. The table attached at **Annex B** summarises the 2005/06 report comments from the Audit Commission, along with officers response and actions being undertaken to address the issues. The table covers areas 1 to 6 above.

3.4 The Statement of Accounts has been updated since the Council approved the accounts in June 2006. The main accounts are attached at **Annex C**.

3.5 The material updates to the main accounts that the Audit Commission have referred to in paragraph 17 in the governance report, are explained below. There are also updates that need to be brought to your attention, these are detailed below too. These updates have been agreed with the Audit Commission.

Consolidated Revenue Account (CRA): (see Annex C1)

The main changes to the CRA are:

- The Consolidated Revenue Account has been updated to include a change in Financial Reporting Standard (FRS) 17 pensions disclosures. The actuary issued a revised FRS17 report in July 2006 after the draft accounts were approved in June 2006. The accounts have been adjusted by £5.8m in respect of this. There is not a bottom line impact on the Consolidated Revenue Account.
- The Learning Disability Pooled Budget transactions have been adjusted on the Consolidated Revenue Account. The income and expenditure was incorrectly presented and has been adjusted. There is no overall change to the net expenditure of Social Services.

Housing Revenue Account (HRA):
(see **Annex C3**)

- No changes.

Consolidated Balance Sheet:
(see **Annex C2**)

- A correction has been made to the valuations of school buildings. These were understated by £22.7m. The buildings had initially been valued as assets under construction and have now been adjusted as assets in use. The impact to the accounts was therefore an increase to fixed assets.
- The Council can negotiate planning gain from developers where a need is identified for infrastructure and facilities arising from a new development. The majority of Section 106 planning agreements had been classified as revenue reserves rather than creditors. Until utilised, the Council would owe the developers this funding. There was therefore a movement on the balance sheet of £6.5m reducing reserves and increasing creditors.
- The Council has agreed to ensure that software licences purchased are reviewed to assess their estimated useful life in order to establish if they should be included in the 2006-07 accounts as intangible fixed assets.

The above adjustments on the Balance Sheet do not impact on the finances of the Council overall, but are simply movements within the balance sheet.

Collection Fund:
(see **Annex C4**)

- No significant changes.

3.6 The Council is recommended to request officers to provide the Audit Commission with a letter of representation. This letter represents managements acknowledgement of its responsibility for the fair presentation of the financial statements. This letter should be signed by the Head of Finance as the Section 151 officer and the Mayor of the Council. A draft letter is attached at Appendix 6 to the Audit Commission's report.

- 3.7 The Council is recommended to approve the updated 2005/06 Statement of Accounts pages that are attached at **Annex C**, the Consolidated Revenue Account, Housing Revenue Account, Balance Sheet and Collection Fund.
- 3.8 It should be noted that there are two outstanding objections from the 2004/05 accounts. These objections were raised by local electors, in respect of the Special Parking Area Account and the cessation of the Section 136 scheme. The Audit Commission expects to reach a conclusion on these objections in the autumn of 2006.
- 3.9 There have not been any objections to the 2005/06 accounts.

Use of Resources

- 3.10 The Audit Commission is required to reach a conclusion whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources. This is also known as the Value for Money (VFM) conclusion. The five areas that assessments are made on are; financial statements, financial management, financial standing, internal control and value for money. The Audit Commission are nearing completion on their work on the use of resources and will report on their findings in due course.

4 Implications

4.1 Policy

None.

4.2 Resources and Risk

<input checked="" type="checkbox"/>	Capital	<input checked="" type="checkbox"/>	Revenue	<input type="checkbox"/>	Accommodation
<input type="checkbox"/>	IT	<input type="checkbox"/>	Medium Term Plan	<input type="checkbox"/>	Management

Further resources will be required from the Audit Commission on the Whole of Government Accounts return and the Finance, Environment and Legal sections in order to resolve any outstanding issues in respect of the objections.

4.3 Legal

Further Input may be required from the Legal Department to enable resolution of the outstanding objections to the draft Statement of Accounts.

4.4 Other Implications

<input type="checkbox"/>	Equalities / Diversity	<input type="checkbox"/>	Sustainability	<input type="checkbox"/>	Human Rights
<input type="checkbox"/>	E-Government	<input type="checkbox"/>	Stakeholders	<input type="checkbox"/>	Crime and Disorder

Background papers: June 2006 approval of the draft 2005/06 Statement of Accounts, Statement of Accounts working papers and files.

The annexes referred to in this report are as reproduced at Item 2a – Report to Audit Committee