

UPDATE ON STATEMENT OF ACCOUNTS 2006/07 AND STATEMENT ON INTERNAL CONTROL 2006/07

Report By: Director Of Resources

Wards Affected

County-wide.

Purpose

To advise the Audit and Corporate Governance Committee on changes to the Statement of Accounts for 2006/07 resulting from the Audit Commission's review work since the Committee's last meeting.

To advise the Audit and Corporate Governance Committee on changes to the Statement of Internal Control for 2006/07 needed as a result of the special report of the Director of Resources that appears elsewhere on this agenda.

Financial Implications

These are outlined in the report.

RECOMMENDATION

THAT:

- (a) the amendments to the Statement of Accounts for 2006/07 be noted;
and**
- (b) the amendments to the Statement on Internal Control for 2006/07 be noted.**

Reasons

The Audit Commission has audited the Statement of Accounts presented to the Audit and Corporate Governance Committee in June 2007. The auditors have suggested changes to the accounts that have been accepted by the Director of Resources.

Considerations

STATEMENT OF ACCOUNTS 2006/07

1. The external auditors identified three items for discussion that had a potential impact on the figures included in the Statement of Accounts for 2006/07 approved by the Audit and Corporate Governance Committee in June 2007 during their audit review. The issues have been discussed in detail with the Audit Commission and it is accepted that the accounting statements need to be

altered to provide a more accurate representation of the Council's financial position at the end of 2006/07.

2. The first item relates to changing the classification of ICT related expenditure from capital to revenue expenditure. The expenditure totals £1.224m and covers expenditure on a contract for the Community Network Upgrade project. It is now shown in the revenue account within the ICT & Customer Services division. The Council will mitigate the position by taking out the revenue contribution to the capital programme of £509k that was included in the accounts. This will reduce the adjustment on the revenue position to £715k and thus reduce the impact on General Fund balances for 2006/07. The result is a reduction in General Fund balance of this amount leaving a closing balance for the year of £8.023m. The accounts still show an under spend of £2.5m overall compared to the anticipated position for 2006/07. The change does mean that additional capital resources of £715k are now available in 2007/08 and there is a corresponding increase in the capital receipts reserve of £715k, increasing the balance from £21.711m to £22.426m.
3. The second item covers Goodrich Voluntary Controlled Primary School. As with other Council assets, the school's value is reflected in the Council's balance sheet. However, as part of the on-going review of the value of assets, the school was reclassified as an asset owned by another body and removed from the balance sheet. This arose because the relevant section of the School Standards and Framework Act 1998 can, in some circumstances, see the Local Education Authority transfer its interest in a site and any buildings to a relevant body. This does not apply to this school so it should remain on our balance sheet. The correct classification of the asset to Council owned does not affect the "bottom-line" on the accounts.
4. The third item also does not affect the "bottom-line". The auditors noted that the method of apportionment of property services costs to those areas in receipt of services was incorrect due to an error in a working paper. The costs have now been reapportioned correctly in line with the Best Value Accounting Code of Practice.
5. It should be stressed that amendments outlined above have been made on a voluntary basis by the Council following discussions with the Audit Commission. The combination of the three items outlined in the report will not lead to a qualification of the accounts and the Council's decision to address the issues swiftly is likely to be seen in a positive light. Additional checks will be built into the systems and procedures used to close the accounts for 2007/08 to address the issues brought to light in this year's audit.

STATEMENT ON INTERNAL CONTROL 2006/07

6. The Statement on Internal Control for 2006/07 agreed by the Audit and Corporate Governance Committee has been reviewed to:
 - correct typographical errors;
 - reflect comments made by the external auditor;

- include a reference to the changes to the Statements of Account for 2006/07 as outlined above; and
 - include a reference to internal control issues reported by the Director of Resources whilst the external audit review of the 2006/07 Statement of Accounts was in progress.
7. A separate report on this agenda outlines the position with regard to the last bullet point in paragraph 6 above.
 8. The revised Statement on Internal Control for 2006/07 is attached to this report at Appendix 1.

Risk Management

The reduction in the general fund balance of £715k will reduce financial capacity to deal with any forecast and as yet unknown financial pressures in 2007/08. All Directors have a responsibility for ensuring the Council's budgets are carefully managed in line with Financial Regulations in order to mitigate this risk.