

# **Audit and Corporate Governance Committee Report**



Report of Head of Finance

**AGENDA ITEM NO 6**

Author: Nikki Thomas

Tel: 01491 823551

E-mail: nikki.thomas@southoxon.gov.uk

Cabinet Member responsible: Rodney Mann

Tel: 01844 281426

E-mail: rodney@wheatassoc.demon.co.uk

To: AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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## **Statement of Accounts for 2006/07**

### **Recommendation**

1. Subject to a final version of the statement being available that the Statement of Accounts for 2006/07 be approved as amended and signed by the Chairman, or
2. If the final version of the accounts is not available, that the Statement of Accounts be endorsed by the committee and that the Chairman be given delegated power to approved the statement of accounts in consultation with the Head of Finance

### **Purpose of Report**

1. The purpose of this report is to advise the Committee of the final outcome of the audit of the 2006/07 accounts.

### **Strategic Objectives**

2. Sound financial management is central to the ongoing delivery of all the Council's functions and therefore underpins the achievement of all of the Council's Strategic Objectives as set out in the Corporate Plan. The timely production, audit and publication of the Statement of Accounts is fundamental to sound financial management and is integral to the Council's achievement of 'Excellent' status for CPA.

## **Background**

3. At the 26 June meeting of this Committee the 2006/07 Statement of Accounts were approved, subject to audit and to any objections made by the public or other interested parties when the accounts were made available for public inspection.

## **Matters for consideration**

4. The accounts were open for public inspection from 4 July 2007 to 1 August 2007. No representations or objections have been made.
5. The external auditor has now virtually completed the audit of the Statement and there were a number of amendments which have been agreed with the auditors identified during the course of the audit that require the accounts to be amended. These amendments are significant due to the amounts involved.
6. The accounts attached to this report (appendix A) have been adjusted to correct a number of items which are listed as follows:

### ***6.1 Significant adjustments as a result of the audit:***

- a) Court costs of £3.002m - This cost was identified in the report to Committee in June 2007. The payment and tribunal date occurred in May 2007 and was initially treated as current year (2007/08) expenditure. The District Auditor has advised that as the claim was made before 31<sup>st</sup> March 2007 the item should be accounted for in the 2006/07 accounts as an adjusting post balance sheet event. This change in accounting treatment affects all the main accounting statements, and are shown in Appendix Bi.
- b) Investments have been amended to show the gross figure, which had previously been stated net of the provision of £538k.
- c. The Collection Fund debtors balances have been amended to show the gross figure, which had previously been shown net of prepayments of £1,886k.

### ***6.2 Adjustments to correct misinterpretation of new guidance on SORP changes for 2006/07:***

The treatment of a number of entries in the accounts and how they are presented in the new statement layout for this year has been difficult to

establish due to a number of interpretations that could be made from the SORP guidance, for some entries there has been no guidance available. Technical guidance has been sought throughout the process of preparing the accounts and the suggested treatment from the Audit Commission has been updated over this period. Clarification received from the Audit Commission has resulted in the need to carry out significant work to amend the accounts as follows.

Income of £0.683m relating to the sale of Housing to SOHA. – The capital receipts received from the Council's preserved Right to Buy and claw-back arrangements with SOHA, were previously recognised as a direct transaction to reserves in the balance sheet. The Audit Commission's view is that these 'legal rights' represent distinguishable asset and that capital receipts from these sources should be treated as gains in the year in which the legal right is extinguished. This change in accounting treatment affects the Income and Expenditure account and the Statement of Recognised Gains and Losses.

a) Income of £0.260m from the capital receipts due from Transferred Debt . Although the assets have previously been transferred the capital receipt must be shown in the Income and Expenditure account.

b) Adjustments to comply with SORP entries of £3.001m relate to capital financing entries that were originally shown as a separate item on the Income and Expenditure account. These entries have now been treated in accordance with the SORP, and £3.2m relates to Capital income for capital expenditure which had been included within the financing section of the balance sheet. The SORP now requires that these are shown within the current liabilities section of the balance sheet under the respective headings of Receipts in Advance and Developers Contributions. The changes within the Balance Sheet are shown in Appendix Bii.

7. Inconsistencies within the main statements have been corrected, and the review has been carried out to ensure that the Statement of Recognised Gains and Losses (STRGL) reconciles with the movement in net worth on the Balance Sheet Statement. In addition, corrections have been made to show the correct signage of figures.
8. The external auditor has issued the annual governance report and will present this to councillors at the meeting. This includes a summary of the work undertaken during the audit of the accounts.
9. In reaching an opinion on the accounts the District Auditor will rely on a letter of representation from the officer responsible for the financial management of the Council, the Head of Finance. A copy of the draft letter is attached at appendix C.

## **Financial Implications**

10. There are no financial implications arising directly from this report.

### **Legal Implications**

11. There are legal implications arising directly from this report.

### **Human Resource, Sustainability, Equality and Diversity Implications**

12. There are no implications arising from this report.

### **Conclusion**

13. Overall the Council's financial position remains very strong. This report confirms that the audit of the 2006/07 Statement of Accounts is now complete and that there were a number of adjustments identified during the course of the audit that require further approval.

### **Background Papers**

The amended Statement of Accounts for 2006/07.