

**BODY:** **AUDIT COMMITTEE**  
**DATE:** **29 September 2010**  
**SUBJECT:** **Statement of Accounts 2009/10**  
**REPORT OF:** **Chief Finance Officer**

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**Ward(s):** All

**Purpose:** To agree the audited accounts for 2009/10 under powers delegated by the Council.

**Decision Type** Key decision

**Contact:** Alan Osborne, Chief Finance Officer, Financial Services Telephone Number 01323 415149.  
 Pauline Adams, Financial Services Manager. Telephone Number 01323 415183

**Recommendations:** Members are asked to -

- i) Note the latest position on the audit of the Councils 2009/10 accounts.
- ii) Approve the final audited accounts for 2009/10.
- iii) Delegate any further minor amendments to the accounts to the Chief Finance Officer prior to publication.

**1.0 Introduction**

**1.1** The Accounts and Audit Regulations 2003, the Audit Commission Act 1998, the Code of Audit Practice (issued by the Audit Commission) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the SORP) set out the requirements for the production and publication of the annual Statement of Accounts.

**1.2** The regulations require that an appropriate body should approve the audited Statement of Accounts after they have been certified by the Chief Financial Officer within six months of the financial year end i.e. by 30 September.

**1.3** The Committee approved the draft accounts for 2009/10 on 30 June 2010. .

**1.4** As part of the drive to improve performance, it had been hoped in June that it would be possible for the council's external auditor (PKF) to report back to this committee by the end of August. Whilst this was not

possible, the majority of the audit work had been completed by the end of August. A few issues, particularly involving information required from external partners, were still outstanding.

**1.5** This remains an objective for 2010/11 and discussions about starting the audit earlier in 2011 have already begun.

## **2.0 Audit of Accounts**

**2.1** PKF has now issued the draft ISA260 Annual Governance Report which is included as a separate report to this committee. At the time of writing officers are in discussion on just two outstanding issues:

- Copies of invoices from the contractor regarding the capital investment in the Sovereign Leisure Centre by Serco.
- The accounting entries for the disposal of Derry Court.

A verbal update will be provided by PKF at the meeting.

**2.2** PKF has indicated that subject to satisfactory completion of the outstanding work it is anticipated that an unqualified audit opinion on both this Council's accounting statements and the group accounting statements will be issued. This will be the first time this has been achieved since 2003/04. The opinion will be given before the statutory deadline of 30 September.

## **3.0 Key issues arising from the audit.**

**3.1** Apart from the long term leisure contract (see below) there have been only minor changes to the accounts between their original adoption in June and the current position. These are mainly presentational and a revised copy of the statement of accounts will be circulated prior to the committee meeting.

**3.2** The following two accounting items were identified as being incorrect but have not been adjusted in the accounts as they are below the materiality level:

- Section 106 amount of £130,000 which is incorrectly classified within the balance sheet, this will be adjusted in 2011/12.
- Housing Benefit Subsidy – an estimated amount was included in the accounts pending the completion of the benefit claim. The grant claim has now been completed and the actual amount of subsidy due is an extra £126,695 difference from the estimate. This represents a 0.2% of the total value of subsidy due and will be adjusted in the 2011/12 accounts. This does not affect the Councils resources.

**3.3** In addition, there has been a minor amendment to the Annual Governance Statement that was presented to members in June. One of the matters regarding procurement has been subject to additional audit testing. The additional testing showed no errors or fraud.

#### **4.0 Long term leisure contract**

- 4.1** At the June meeting of this committee, delegated authority was given to the Chief Finance Officer to make any accounting changes required in respect the long term leisure contract with Serco.
- 4.2** Discussions were undertaken regarding this contract and the Auditor sought technical advice as to the correct accounting treatment, as the fairly unique arrangements under this contract are not covered within the CIPFA guidance notes to the SORP.
- 4..3** It has now been agreed that this contract will be treated as a "credit sales agreement" rather than a service concession contract, which has necessitated changes to the sums shown on the income and expenditure account, the reclassification of the amounts within the Balance Sheet and a minor change to the accounting policies.
- 4.4** A further result of this change has led to a technical change to the capital financing requirement, resulting in an increase to the amount of interest chargeable to the Housing Revenue Account of £300,000 financed by a subsequent increase to the amount receivable in Housing Subsidy of £345,000 thus increasing the balance on the HRA by £45,000.
- 4.5** The additional income to the general fund (£300,000) has been added to reserves. This will be reported to the Cabinet in October along with a recommendation that the additional amount of reserves is set aside to deal with revenue repairs and maintenance arising from the emerging revised asset management plan.

#### **5.0 Conclusions**

- 5.1** The process for the 2009/10 audit and statement of accounts presentation represent a further significant improvement to previous years in terms of timeliness and accuracy.
- 5.2** An unqualified audit opinion is expected to be issued by 30 September by PKF.

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#### **Background Papers:**

The Background Papers used in compiling this report were as follows:

CIPFA Statement of Recommended Practice (SORP) for Local Authority Accounting 2009.  
Draft Statement of Accounts 2009/10.

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