

REPORT FOR DECISION

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| Agenda Item | |
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MEETING: AUDIT COMMITTEE
DATE: 29 JULY, 2004
SUBJECT: 2003/04 STATEMENT OF ACCOUNTS
REPORT FROM: EXECUTIVE MEMBER FOR RESOURCE
CONTACT OFFICER: Mike Owen – Director of Finance and E-Government

TYPE OF DECISION: Council

REPORT STATUS: For Publication

PURPOSE/SUMMARY:

The report asks members to consider and, if appropriate, approve the Authority's Statement of Accounts for the financial year ended 31 March, 2004.

Members are asked to note that the Accounts have been prepared 1 month ahead of the statutory deadline for 2003/04 (see par. 1.1)

OPTIONS AND RECOMMENDED OPTION (with reasons):

Members can:

- Approve the Statement of Accounts for the 2003/04 financial year in line with the provisions of the Accounts and Audit Regulations 2003; approve the financing of the Capital Programme as outlined in Note 3 of the Consolidated Balance Sheet; and note the contents of the Letter of Representation attached as Appendix B to the report; OR
 - Request changes to the Statement of Accounts whilst meeting with the provisions of the Accounts and Audit Regulations 2003 and/or the financing of the Capital Programme outlined in Note 3 of the Consolidated Balance Sheet.
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IMPLICATIONS -

**Financial Implications and
Risk Considerations**

See Statement by DoFEG below

Corporate Aims/Policy Framework:

Do the proposals accord with the Policy Framework? Yes. The successful performance of the Council's financial resources supports the delivery of its corporate aims and objectives. The final position of the Council's financial resources will impact on the achievement of all the authority's policies.

Are there any legal implications? Yes

Considered by Monitoring Officer:

Yes. The production of the Authority's statutory accounts is a requirement of the Local Government Act 1972 and has been undertaken in compliance therewith and the Council's Standing Order 56. The report accords with the Council's Policy and Budget Framework and has been produced in accordance with all relevant Statutory Guidance and Codes of Practice.

Statement by Director of Finance and E-Government:

The Statement of Accounts reflects the Authority's financial performance during 2003/04 and helps to shape budget strategy in future years.

Staffing/ICT/Property:

There are no direct Human Resource / IT / land and Property implications arising from this report.

Wards Affected:

All

Scrutiny Interest:

Falls under the remit of the Resource Scrutiny Panel.

TRACKING/PROCESS

DIRECTOR: Mike Owen

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|--------------------------------------|----------------------------|--------------|----------|
| Chief Executive/ Management Board | Executive Member/ Chair | Ward Members | Partners |
| Yes | Yes | | |
| Scrutiny Panel | Executive | Committee | Council |
| Resource Scrutiny Panel | No | | |

1.0 INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit Regulations 2003 each year the Authority is required to produce, and have approved, the Statement of Accounts before 30 June following the Balance Sheet date. Previously this deadline was 30th September and in recognition of the impact of this change, the Regulations allow for a phasing in of the new deadline as shown below.

| Financial Year | Statutory Approval Date | Statutory Publication Date |
|-----------------------|--------------------------------|-----------------------------------|
| 2002/03 | 30 September | 31 December |
| 2003/04 | 31 August | 30 November |
| 2004/05 | 31 July | 31 October |
| 2005/06 | 30 June | 30 September |

- 1.2 Once the Accounts have been approved they are subject to audit by, in our case, the Audit Commission and a final copy of the Accounts containing the auditor's certificate and opinion must then be published on or before the statutory publication date (see above).
- 1.3 The 2003/04 Statement of Accounts has been prepared 1 month ahead of the statutory deadline for this year.
- 1.4 During the audit process the Accounts are 'placed on deposit' for 20 working days and during this time they are available for inspection by members of the public. At the end of this period the auditor is available for questioning by the public. This matter, and the dates on which the Accounts are on deposit, is advertised in the local press and for Members' information the 2003/04 Accounts will be available for inspection at Bury Town Hall between 2nd August and 27th August (during normal office hours; contact the Director of Finance and E-Government on 0161 253 5002).
- 1.5 The figures shown within the Statement of Accounts correspond with the results reported within the Corporate Revenue and Capital Outturn Reports, which were considered by the Executive on 21 July 2004, and contain details of the Council's financial performance against budget and make recommendations on the application of carry-forward requests into 2004/2005.

2.0 THE FORMAT OF THE ACCOUNTS

- 2.1 The Statement of Accounts is attached at Appendix A and it contains the following financial statements:-

- 12 An Introduction by the Executive Member for Resource
- 12 An Explanatory Forward
- 12 Summary of the Council's Financial Results
- 12 Statement on the System of Internal Control
- 12 The Consolidated Revenue Account
- 12 The Housing Revenue Account
- 12 The Collection Fund
- 12 The Consolidated Balance Sheet
- 12 The Statement of Total Movements in Reserves

§ The Cash Flow Statement – to be finalised.

- 2.2 A brief explanation of the purpose of these statements is given in the Explanatory Forward, on page 10 of the Accounts.
- 2.3 The figures shown in the various Statements are presented subject to audit. It has been agreed with the External Auditor for the Cash Flow Statement to be finalised at a later date.
- 2.4 The format and contents of the Accounts are laid down in regulations and in the Code of Practice on Local Authority Accounting which we are required to follow. As a result the Authority has little or no discretion over what is shown.
- 2.5 The Council has continued to investigate ways in which the Accounts can be made more accessible to the community at large, especially through the use of plain English, summary information and through the internet. Similar to last year, the 2003/04 Accounts can be translated into 5 different languages if required. The Accounts will continue to be presented in the professional format adopted last year on conclusion of the audit.

3.0 AUDIT CONSIDERATIONS

- 3.1 For the 2003/04 financial year there is the continuation of the important development in the responsibilities of auditors in relation to any misstatements that they discover in the course of their work. Under Statement of Auditing Standard (SAS) 220, auditors plan and perform their audit to provide reasonable assurance that the financial statements are free from material misstatement.
- 3.2 However, in carrying out their work, they will also happen across other misstatements and omissions that are not material. The revised SAS610 “*Communication of Audit Matters to those Charged with Governance*” now requires auditors to report to Members **all** misstatements that have been advised to officers but not adjusted for.
- 3.3 Any misstatements will be reported at the meeting of the Audit Sub-Committee following the completion of the audit.

4.0 TECHNICAL CHANGES

- 4.1 There have been 2 main technical changes that have impacted on the Accounts for 2003/04:
- 4.2 **FRS17 Retirement Benefits** – it has been reported in the previous 2 years’ Statement of Accounts that the requirements for accounting for pension costs were undergoing substantial change over the financial years 2001/02 to 2003/04 and CIPFA proposed that the requirement of FRS17 to be fully incorporated into the Statement of Recommended Practice (SORP) for 2003/04 on a staged basis.
- 4.3 FRS17 requires certain disclosures to the notes of the Accounts. The disclosures required depend on the classification of the pension scheme. A requirement of FRS17 *Retirement Benefits* is that pension schemes (which

can be single or multi employer) be classified as either defined contribution or defined benefit schemes. The Greater Manchester Pension Fund is a defined benefit multi user scheme; such schemes are subject to reduced disclosure requirements. The purpose of the pension's disclosures is to provide clear information on the impact of each local authority's obligation to fund the retirement benefits of its staff on its financial position and performance. Even where this obligation is discharged through a pension fund (e.g. Greater Manchester Pension Fund) the authority remains responsible for the employer's contributions set at a level to ensure the liabilities of the fund can be met.

- 4.4 For 2003/04 FRS17 *Retirement Benefits* has been fully recognised in the accounts. This includes recognition of the pension liability and a pensions reserve in the balance sheet and entries in the Consolidated Revenue Account for movements in the pension liability relating to the defined benefit scheme. Disclosure Notes are provided to the Consolidated Revenue Account and Balance Sheet as per the 2002/03 Statement of Accounts.
- 4.5 **The requirement to disclose audit costs** – This brings local government into line with other parts of the public services in disclosing the amounts that the Authority has paid to the Audit Commission for work carried out in performing statutory functions and other services where required. The intention is that the note (Note 19 on page 39 of the Consolidated Revenue Account) will demonstrate that the objectivity of the auditor is not compromised by fees for other work being significant in relation to audit costs.

5.0 LETTER OF REPRESENTATION

- 5.1 Statutory Finance Officers are now required to provide their external auditor with a Letter of Representation which is intended to provide the auditor with assurance that the Accounts have been prepared properly and professionally. The contents of the Letter are similar to the Statement of Responsibilities that is set out in the Accounts.
- 5.2 A copy of the Letter provided to the External Auditor by the authority's Director of Finance and E-Government is attached at Appendix B to this report and Members are asked to note the contents of the Letter.

Councillor W Campbell
Deputy Leader of the Council and Executive Member for Resource

Background documents:

Various final accounts working papers held in the files of the Head of Financial Management.

For further information on the details of this report, please contact:

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