

REPORT FOR DECISION

Agenda Item	
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MEETING: AUDIT COMMITTEE

DATE: 27 JULY, 2005

SUBJECT: 2004/05 STATEMENT OF ACCOUNTS

REPORT FROM: EXECUTIVE MEMBER FOR QUALITY COUNCIL (RESOURCE AND PERFORMANCE MANAGEMENT)

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, 2005.

Members are asked to note that the Accounts have been prepared in accordance with the statutory deadline for 2004/05 (see par. 1.1).

A presentation will be made at the meeting that provides an interpretation of the accounts and will highlight the key issues that Members need to be made aware of. This will be accompanied by an Explanatory Note covering the points made in the presentation.

During the period of the audit stakeholders will be consulted in order to establish their requirements in respect of the publication of summary accounts and explanatory information.

OPTIONS AND RECOMMENDED OPTION (with reasons):

Members can:

- Approve the Statement of Accounts for the 2004/05 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 4 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 4 of the Consolidated Balance Sheet.

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 2004/05 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 and Performance Scrutiny Panel.

TRACKING/PROCESS

DIRECTOR: Mike Owen

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Yes	Yes		
Scrutiny Panel	Executive	Committee	Council

Resource Scrutiny Panel	No		
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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 2004/05 Statement of Accounts has been prepared in accordance with 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 2004/05 Accounts will be available for inspection at Bury Town Hall between 1st August and 26th 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 which will be reported within the Corporate Revenue and Capital Outturn Reports. These will be considered by the Executive on 24 August, 2005, and contain details of the Council's financial performance against budget and make recommendations on the application of carry-forward requests into 2005/2006 together with their impact on the use of general fund balances. These will then be reported back to the Audit Committee on 20 October 2005 when the audited Statement of Accounts is presented for approval.

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:-

- § An Introduction by the Executive Member for Quality Council (Resource and Performance Management)
- § An Explanatory Forward
- § Summary of the Council's Financial Results
- § Statement on Internal Control
- § The Consolidated Revenue Account
- § The Housing Revenue Account
- § The Collection Fund
- § The Consolidated Balance Sheet
- § The Statement of Total Movements in Reserves
- § The Cash Flow Statement

2.2 A brief explanation of the purpose of these statements is given in the Explanatory Forward, on page 11 of the Accounts.

2.3 The figures shown in the various Statements are presented subject to audit.

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 2004/05 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 2004/05 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 Committee following the completion of the audit.

4.0 TECHNICAL CHANGES

4.1 There has been one main technical change that has impacted on the Accounts for 2004/05:

- 4.2 **Group Accounting Requirements** – these require local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates and joint ventures.
- 4.3 The Statement of Recommended Practice has recommended the use of a flow chart to determine whether or not Bury MBC has such interests for the purpose of financial reporting. This includes various definitions to provide guidance. The flow chart and definitions draw on and are consistent with the following elements of UK GAAP (Generally Accepted Accounting Practice) – FRS2 *Accounting for Subsidiary Undertakings* and FRS9 *Associates and Joint Ventures*.
- 4.5 Other Changes include the renaming of the Fixed Asset Restatement Reserve and Capital Financing Reserve to Fixed Asset Restatement Account and Capital Financing Account; the addition of Intangible Assets to the Balance Sheet as well as a supporting Note to the Accounts; and the content and format of the Consolidated Revenue Account has been amended to reflect the introduction of Housing Pooled Capital Receipts.

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 Mike Connolly
Deputy Leader of the Council and Executive Member for Quality Council
(Resource and Performance Management)

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:

Mike Owen, Director of Finance and E-Government; tel. 0161 253 5002. (email: M.A.Owen@bury.gov.uk)