
MEETING: AUDIT COMMITTEE

DATE: 23 SEPTEMBER 2008

SUBJECT: 2007/08 FINAL 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 2007/08 Statement of Accounts, for the financial year ending 31 March 2008 was approved by the Audit Committee on 26 June 2008.

The Accounts have been up-dated to reflect a very small number of amendments that have been made following the completion of the audit by KPMG and the relevant pages of the Accounts reflecting these amendments have been attached.

Once approved the updated Statement of Accounts will be posted on the Internet, together with a summary report of the Council's financial and performance results, and a feedback questionnaire. A notice will be placed in the Bury Times advertising this and printed copies of the Accounts will also be available from libraries and council offices.

This report is to be considered along with the ISA (UK+I) 260 "*Communication of Audit Matters with those Charged with Governance*" report which will be presented by KPMG as part of this meeting.

OPTIONS AND RECOMMENDED OPTION (with reasons):

Members are recommended to:

- Approve the amendments to the Accounts recommended by KPMG
- Approve the final version of the Statement of Accounts for the 2007/08 financial year (with the relevant pages to the Accounts that reflect the amendments attached as Appendix A to the report) in line with the provisions of the Accounts and Audit Regulations 2003;

- Note the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement report (also on the agenda) presented by KPMG

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 Financial Regulation A: Financial Management 3.8.5. 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 2007/08 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 Commission.

TRACKING/PROCESS

DIRECTOR: Mike Owen

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Yes	Yes		
Scrutiny Panel	Executive	Committee	Council
Resource and Performance Scrutiny Commission	No	Audit	

1.0 INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit Regulations 2003 (as amended in 2006) each year the Authority is required to produce, and have approved, the Statement of Accounts before 30 June following the Balance Sheet date.
- 1.2 Once the Accounts have been approved they are subject to audit by, in our case, KPMG 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 of 30 September.
- 1.3 The 2007/08 draft Accounts were approved by this Committee on 26th June 2008.
- 1.4 For the 2007/08 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 International Standard of Auditing (UK and Ireland) (ISA (UK+I)) 330, auditors plan and perform their audit to provide reasonable assurance that the financial statements are free from material misstatement.
- 1.5 However, in carrying out their work, they will also happen across other misstatements/omissions that are not material and ISA (UK+I) 260 "*Communication of Audit Matters with those Charged with Governance*" requires auditors to report to Members all misstatements that have been advised to officers but not adjusted for.
- 1.6 It was agreed at the Audit Committee meeting on 26 June that any misstatements and matters / issues arising would be communicated at this meeting of the Audit Committee following completion of the audit.
- 1.7 The principal purposes of the communication with Members are for the auditors to ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of the auditors and Members; to share information to assist both the auditors and Members to fulfil their respective responsibilities; and to provide Members with constructive observations arising from the audit process.

2.0 AMENDMENTS TO THE ACCOUNTS

- 2.1 KPMG (the auditors) have identified and recommended three amendments to the Accounts that were approved on 26 June. The items identified by the auditors relate primarily to the need to re-classify items on the face of the Balance Sheet (i.e. between cash and creditors/debtors, and between debtors and creditors). Arrangements will be made to ensure the need for these amendments does not reoccur next year.
- 2.2 Having discussed the suggested amendments with the auditors I am happy to agree to their inclusion within the Accounts and the pages of the Accounts that reflect the amendments (which are shaded) are attached at Appendix A to this report. **Members are therefore recommended to approve these Accounts.**

- 2.3 The only amendment recommended by the auditors relates to Housing Benefit subsidy. In the Accounts presented to Committee on 26 June it was necessary to make a best estimate of the income to be received from Housing Benefit subsidy due to the fact that the final subsidy claim was scheduled to be completed after 30 June. This is usual practice and is in line with the authority's accounting policies.
- 2.4 However the auditors identified that actual income was £78,323 higher than the estimate and given that this was in the authority's favour it was agreed that the actual figure should now be incorporated. This will lead to an increase in the General Fund Balance for the year. In future the date for the subsidy claim will be brought forward if possible.
- 2.5 As a result of the amendment made the General Fund balance now stands at £1.677m.
- 2.6 It is important to put the adjustment into context. Firstly the auditors work to a definition of materiality that is set at £76,000 meaning that any differences below this amount would not be classed as material and would not be mentioned in the ISA 260 report. Secondly, the total value of the adjustment to the General Fund balance is less than 0.00002% of turnover.
- 2.7 In the last three years the Council has made continuous improvements to the accounts closure process in terms of its preparation and application and the results of this can be seen in an improved performance in terms of a reduced number of both audit adjustments and recommendations as reported in the ISA260:

	2007/08	2006/07	2005/06
Audit Adjustments	4	7	10
Recommendations	1	5	7
Recommendations outstanding from previous years	1	5	-

- 2.8 Members are asked to note that the recommendation for 2007/08 is of the lowest level of importance and that the recommendation from the previous year has in fact been implemented although roll-out of the new policy will be completed in the 2008/09 Accounts.

3.0 MANAGEMENT LETTER

- 3.1 The authority is required to by Auditing Standards to provide the auditor with written representations from management in respect of related party disclosures, compliance with laws and regulations, the accuracy of the financial statements, unadjusted audit differences, fraud and fair value measurements and disclosures. In addition the auditors also seek management representations in relation to contingent liabilities, post balance sheet events.
- 3.2 In a local government context it is appropriate for management representations to be discussed and approved by the full Council, the Audit Committee or any other committee which has been given delegated responsibility for approval of the financial statements under the Accounts and Audit Regulations 2003. In Bury's case this is the Audit Committee and a representation letter is attached to this report. It will be signed by the Director of Finance and E-Government following the completion of our audit.

4.0 ISSUES

- 4.1 In the draft Statement of Accounts I referred to the fact that decisions regarding the directorate requests for carry-forwards would be made by the Executive on 3rd September.
- 4.2 No cash ceiling adjustments were approved; requests to carry forward uncommitted underspendings (earmarked and under the 1% rule) were refused and the overspending on the Adult Care Services budget was not carried forward. This reflects the position as set out in the draft Accounts.
- 4.3 Finally, I would like to thank all the staff involved in the achievement of the deadline for the close down process and pay tribute to the professional, diligent and courteous manner in which the auditors KPMG have discharged their duties.

Mike Owen
Director of Finance & E-Government

Background documents:

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

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)