

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **22 SEPTEMBER 2009**

SUBJECT: **STATEMENT OF ACCOUNTS 2008/09**

REPORT FROM: **DIRECTOR OF FINANCE AND E-GOVERNMENT**

CONTACT OFFICER: **MIKE OWEN, DIRECTOR OF FINANCE AND E-GOVERNMENT**

TYPE OF DECISION: **COUNCIL**

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The 2008/09 Statement of Accounts, for the financial year ending 31 March 2009, was approved by the Audit Committee on 25 June 2009.

The Accounts have been up-dated to reflect a very small number of presentational 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 &
RECOMMENDED OPTION**

Members are recommended to:

- Approve the presentational amendments to the Accounts recommended by KPMG
- Approve the final version of the Statement of

Accounts for the 2008/09 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
- Delegate to the Director of Finance and E-Government, in consultation with the Chair of the Committee, authority to agree minor wording changes that may be required in respect of the Equal Pay/Manchester Airport debt issues as explained in section 4 of the report.
- Note that any significant changes needed to the Accounts (as set out in section 4) may need to be referred back to a special meeting of the Committee.

IMPLICATIONS:

Corporate Aims/Policy Framework:

Do the proposals accord with the Policy Framework? Yes

Financial Implications and Risk Considerations: Statement by Director of Finance and E-Government:

See statement by DoFEG below.

The Statement of Accounts reflects the Authority's financial performance during 2008/09 and helps to shape budget strategy in future years.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

Yes

Are there any legal implications?

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 Regulations (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.

Staffing/ICT/Property:

No specific implications

Wards Affected:

All

Scrutiny Interest:

Resource and Performance

TRACKING/PROCESS**DIRECTOR: Mike Owen**

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

1.0 INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit Regulations 2003 (as amended in 2009) 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 2008/09 draft Accounts were approved by this Committee on 25th June 2009.
- 1.4 For the 2008/09 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 25 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 **no** amendments to the Accounts that were approved on 25 June.

2.2 A small number of minor presentational amendments have been made to the Accounts to ensure that they are fully compliant with the Code of Practice. 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 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:

	2008/09	2007/08	2006/07	2005/06
Audit Adjustments	0	4	7	10
Recommendations	3	1	5	7
Recommendations outstanding from previous years	0	1	5	-

2.4 This is the first time that no corrected or uncorrected audit adjustments have been required and this is a testament to the quality of the work undertaken by the authority's accountancy staff and to the quality of advice provided by KPMG now and in the past.

2.5 The Committee should also note that no audit matters of governance have been identified by KPMG

2.6 Finally, Members are asked to note that two of the three recommendations for 2008/09 are of the lowest level of importance and that all the recommendations from the previous year have been implemented.

3.0 MANAGEMENT LETTER

3.1 The authority is required 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 There are two issues that need to be brought to the Committee's attention:

4.1.1 Firstly there is the question of the accounting treatment for any liability that the authority may face as a result of equal pay claims. The authority is of the view that a 'contingent liability' note, as set out in the Accounts before members, is adequate. However this is subject to on-going discussions with KPMG.

4.1.2 In addition the auditors, rightly, need to be satisfied that the authority has taken adequate steps to address the potential financial risk presented by these claims. Key to this is the receipt of an adequate capitalisation direction from the Department for Communities and Local Government (DCLG) and at the time of writing it appears that the direction will not be published until October. Of course Members will appreciate that capitalisation is not a panacea, and that any revenue implications will have to be found from existing and/or future years budgets should the appeal be unsuccessful and so KPMG will also need to be satisfied that adequate provision has been made, or is available.

4.1.3 It is accepted that until the capitalisation direction has been published, KPMG will be unable to 'sign off' the Accounts and the authority will be unable to publish the finally approved Accounts.

4.2 Secondly, the Executive have recently approved a proposal to restructure the debt that is currently outstanding to the Manchester Airport Group. Should the deal be completed before the Accounts have been signed off then a 'post balance sheet event' note will be required. This is a technicality aimed at increasing the relevance and timeliness of the Accounts.

4.3 Despite the above issues, it is recommended that Members should approve the Accounts before them. If the current accounting treatment relating to equal pay is agreed with the auditors, and if the capitalisation direction/revenue issues are resolved to the auditors' satisfaction, and if no 'post-balance sheet event' note is required, then sign-off can take place with no further Member input (i.e. the Accounts will remain unchanged)

4.4 Should any minor wording changes be required relating to equal pay, or should a 'post balance sheet event' note be necessary then Members are asked to delegate the wording of these to the DoFEG in consultation with the Chair of this Committee.

4.5 However should the equal pay issue necessitate a fundamental change to the Accounts (i.e. to the figures in the main accounting statements) then it may be necessary to reconvene the Committee to approve the changes.

4.6 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 AND E-GOVERNMENT

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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