

CHERWELL DISTRICT COUNCIL
ACCOUNTS, AUDIT AND RISK COMMITTEE

23rd SEPTEMBER 2009

**JOINT REPORT OF THE STRATEGIC DIRECTOR - CUSTOMER SERVICES & RESOURCES
AND THE HEAD OF FINANCE**

STATEMENT OF ACCOUNTS 2008/09

1 Introduction and Purpose of Report

- 1.1 The preliminary "subject to audit" Statement of Accounts 2008/09 was reported to the Committee at its meeting on 24th June 2009. During the time those draft Statements were being prepared, the Council employed its internal auditors, the accounting firm PWC, to examine compliance with the Statement of Recommended Practice (SoRP) and other accounting regulations.

As part of the Council's own supervisory review in July, staff identified three classification errors: £952,000 within the analysis of the debtors note; £196,000 within the analysis of the creditors note; and £72,000 mis-classification between National non-Domestic Rates (NNDR) and Revenue Support Grant (RSG) on the Income and Expenditure Account.

These changes were identified by the Finance officers of the Council during the final period of review between the Accounts, Audit & Risk Committee on 24th June 2009, and the commencement of the audit on 20th July 2009. These changes were discussed and approved by the Audit Commission on the first day of the audit and these statements were used for the basis of audit. These have been adjusted in the final version of the accounts in Appendix 2.

At the time this report is being written it is expected that the Statement of Accounts will receive an unqualified Audit Opinion.

2 Wards Affected

- 2.1 All Wards.

3 Contact Officers

- 3.1 Karen Curtin – Head of Finance (Ext 1551)
Jessica Lacey – Technical Accountant (Ext 1564)

4 Effect on Policy

- 4.1 This report has no effect on policy.

5 Changes from the Statement of Accounts "Subject to Audit" 2008/09

- 5.1 A schedule has been maintained of all changes made since the June draft accounts and is included in Appendix 1. A full detailed audit trail is available from the Technical Accountant for Member's inspection.

As mentioned above, in 2008/09 a total of 4 adjustments to the accounts have been implemented by the finance team since adoption by this committee on 24th June 2009.

These relate to the following -

1) In preparing the analysis of the debtors and creditors for 2008/09, £1.6m of debtors was wrongly analysed as Sundry Debtors and Other Local Authorities rather than Government Departments. Similarly in creditors, £196k was wrongly analysed between Sundry Creditors and Government Departments. Overall this has no material impact on the accounts as the net worth of the Council remains the same and the total value of debtors and creditors on the balance sheet does not change. Reporting on Agresso will be reviewed and changed in preparation for the 2009/10 year-end to ensure this does not happen again.

2) There was an error of £237k in the Financial Instruments Credit Risk section of the accounts. This is because the 5% adjustment which is applied to adjust for market conditions was applied to the full debtor's value of £11.8m whereas £4.7m of Central & Local Government debt should have subtracted before the 5% was applied.

3) We have moved £73k from General Government Grants to Non-domestic Rates Redistribution on the Income & Expenditure statement. This is because when the Revenue Support Grant payment was originally received in the year, it was mis-coded.

4) Finally, there are 3 minor casting errors which have been raised by the auditors during their review of the financial statements.

6 Audit Opinion

6.1 The Auditor's Annual Governance Report, which includes issues relating to the Financial Statement 2008/09, opinion on Value for Money and Use of Resources is included elsewhere on the agenda.

At the time of writing this report it is anticipated that an unqualified "presents fairly" Audit Opinion will be given shortly and within the 30th September 2009 deadline. This opinion will then be included within the published Statement of Accounts.

The following summary is included within the governance report.

Financial Statements	
Unqualified audit opinion	Yes
Financial statements free from error	Yes
Adequate internal control environment	Yes

The accounts adopted by the Accounts, Audit and Risk Committee on 24 June 2009 were made available for audit supported by detailed working papers. There were no errors in the financial statements provided at the commencement of the audit on 20th July 2009.

The audit commission only identified 3 minor presentational errors which have been amended in the final set of accounts.

The Use of resources judgement associated with the financial statements is included within the theme "managing finance" and has been scored as a 3. Kloe 1.3 on financial reporting is scored as a 3 and the annual governance report contains the following reference to the 2008/09 closedown process.

“For 2008/09, the Council had produced a thorough and comprehensive closedown plan. The accounts were properly approved by the Accounts, Audit and Risk Committee and published by the due date on the Council’s website. The Council’s working papers to support the accounts are clear and they have a strong focus on SORP compliance.

Improved member involvement has continued again this year. This was shown through the members challenging the process of the accounts and through the continuation of a specific accounts panel.”

7 Letter of Representation

The Audit Commission require a Letter of Representation signed by both the Chairman of this Committee, Councillor John Donaldson, and the Section 151 Officer, Julie Evans, Strategic Director – Customer Services & Resources as part of their standard close down procedures.

The draft letter is attached as Appendix 2 of the Auditor’s Annual Governance Report.

8 Risk Assessment, Financial Effects and Contributions to Efficiency Savings

8.1 The following details were approved by Karen Muir (ext. 1559).

8.2 Risk Assessment – There are no risks arising directly from the approval of the Statement of Accounts 2008/09.

8.3 Financial Effects – There are no financial effects arising from this report.

8.4 Efficiency savings – There are no efficiency savings arising from this report.

9 Recommendation

9.1 It is recommended that the Committee resolve :-

- a) take note of the adjustments to the financial statement made subsequent to the adoption of the draft accounts on June 24th 2009 – these are detailed in paragraphs 5.1 and appendix 1; and
- b) To note the 3 minor changes requested by external audit detailed in Appendix 1 and the audited Statement of Accounts 2008/09 in Appendix 2.
- c) To note the continued improvement in closedown process and Use of Resources score:
- d) Subject to reviewing the contents of the Annual Governance Report approve the 2008/09 financial statements

Background Papers

- (a) Statement of Accounts "Subject to Audit" 2008/09, as circulated with the Agenda for this Committee’s meeting on 24th June 2009.
- (b) Various Final Accounts 2007/08 and 2008/09 working paper files.
- (c) Agresso Accounts 2008/09.