

# Accounts, Audit and Risk Committee

## Draft Financial Statement 2009/10

23 June 2010

### Report of Head of Finance

#### PURPOSE OF REPORT

One of the requirements of the Accounts and Audit Regulations 2003 is that the Financial Statement of the Council must be presented to a committee for approval, both prior to, and following, Audit. The Accounts Audit and Risk Committee is the committee designated by the Council to receive, consider and approve the Financial Statement.

This report is public

#### Recommendations

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The Accounts, Audit and Risk Committee is recommended to:

- (1) Resolve to consider and approve the Financial Statement "Subject to Audit" 2009/10 (attached as Appendix 2).

#### Executive Summary

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##### Closure of the 2009/10 Accounts and production of the Statement of Accounts

- 1.1 The Accounts and Audit Regulations 2003 are made under powers conferred under section 27 of the Audit Commission Act 1998. The Accounts and Audit Regulations 2003 contain the dates by when the Council must approve its Statement of Accounts and by when they must be published.
- 1.2 The statutory deadline for approval of the financial statement is 30th June 2010. This Committee is asked to approve the 2009/10 Statement of Accounts subject to audit.
- 1.3 These accounts will be subject to audit by the Audit Commission during July 2010 and the outcome of this review will be reported on 22nd September 2010 prior to the statutory publication date of 30th September 2010.

#### Background Information

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- 2.1 The SoRP 2009 only contains mostly minor cosmetic changes on the presentation of Cherwell's 2009/10 Statement of Accounts. The main changes are listed below:
  - There has been some incidental updating of nearly all notes to reflect the change from 'presents fairly' to 'true and fair'

- The removal of the requirement to have notes to the accounts for the Building Control Account, Publicity, Section 137 Expenditure, and Local Authorities Goods & Services Act 1970
  - Changes to the agency accounting for Council Tax and NNDR
- 2.2 To ensure SoRP compliance in 2009/10, officers from the Financial Information Team have analysed the changes required and updated the “draft” statements to ensure compliance and have attended:
- CIPFA Technical Update Day in November 2009
  - Audit Commission Final Accounts Workshop in January 2010
  - PWC Technical Update Meeting in February 2010
- 2.3 Cherwell has improved its score on the Statement of Accounts from 2 to 3 in 2008/9 Use of Resources assessment for Key Line of Enquiry 1.1 (KLOE1) and with the measures we have put in place to improve closedown procedures we were aiming for an improved score of 4 in the next Use of Resources assessment. Although this inspection regime has been recently abolished we have still secured improvements in the following areas:
- producing our Annual Report to accompany the draft Statement of Accounts by 30<sup>th</sup> June 2010 – 3 months earlier than 2008/09
  - improved management of the S106 Commuted Sums monies held by the Council
  - quarterly monitoring of fixed asset capital transactions within year
  - move towards more automated working papers and increase analytical review to assist in the audit.
- 2.4 The closedown timetable was designed to meet the target dates set-out in 1.5, and the target dates for submitting annual Government returns such as the Whole of Government Accounts.
- 2.5 The key stages of the process are:

No.	Deadline	Objectives and key tasks
1	22nd March 2010	<b>Planning stage</b> <ul style="list-style-type: none"> <li>➤ Action to deal with “lessons learned” and to deal with 2008/09 external audit reports</li> <li>➤ Obtain “buy-in” to timetable from Members and Officers</li> <li>➤ Confirm proposed action with external auditors in respect of SORP and any technical issues relating to economic downturn</li> </ul>
2	Early March to May 21st 2010	<b>Completeness and accuracy of the financial information system</b> <ul style="list-style-type: none"> <li>➤ Financial information system contains all the transactions, which are necessary to enable the accounts to be produced</li> </ul>
3	21st May to 23rd June 2010	<b>Statement of Accounts prepared</b> <ul style="list-style-type: none"> <li>➤ Statement of Accounts is prepared and checked for numerical accuracy and adherence to SORP</li> <li>➤ 151 Officer signs off the Statement of Accounts on the 15th June, which are submitted for scrutiny and adoption to the Accounts, Audit and Risk Committee</li> </ul>

		on 16 <sup>th</sup> & 23 <sup>rd</sup> June 2010 respectively
4	30th September 2010	<b>The accounts are audited</b> <ul style="list-style-type: none"> <li>➤ Accounts are audited from July to September 2010.</li> <li>➤ Auditors give their opinion on the Statement of Accounts and advise of any material changes required.</li> <li>➤ Accounts are published.</li> <li>➤ Accounts, Audit and Risk Committee (22nd September) consider and approve any amendments to the accounts.</li> </ul>

2.6 The main issues identified in our planning stage were:

- Glitnir Bank, Iceland – accounting in accordance with CIPFA LAAP Bulletin 82
- Collection Fund Changes
- KLOE 1 – discussion relating to our aspirations to move from a strong 3 to a 4 drawing on audit commission experience.
- Audit 09/10 – systems audit, analytical review deminimis level, audit plan, public inspection dates

The actions required to address these issues were built into the timetable and additional reviews carried out.

2.7 The target completion date for the first draft Statement of Accounts was 21st May 2010 and this was achieved. This ensured a period of 4 weeks to robustly review the accounts and consider the implications of the accounting treatment of the collection fund and the Icelandic deposits (CIPFA guidance arrived late May and was interpreted in conjunction with our treasury advisors Sector). This is 10 days earlier in comparison to 2008/09 and 18 days earlier than 2007/08.

2.8 Early and regular communication with the Auditors has continued throughout the closedown process and any issues have been discussed ahead of preparing the final draft.

2.9 One of the stated aims of the Accounts and Audit Regulations 2003 is to increase the role of Elected Members in the published accounts procedures of the Council. Before the Auditor's opinion can be given the Financial Statement must be approved by this Committee and signed off by the Chairman of this Committee. This approval must be given on, or before, 30 June 2010. If Members do not feel they are able to approve the Financial Statement as presented, details of the changes required need to be specified.

2.10 The Use of Resources external assessment requires that the Financial Statement be “subject to a robust Member scrutiny/discussion”. In line with this recommendation the committee met on 16 June 2010 and a further meeting was held on 17 June 2010.

2.11 The accounts were subject to initial scrutiny by our internal auditors PWC and this committee on 16th June 2010. A review of this scrutiny session is attached in Appendix 1. A total of 37 specific questions were either asked at the scrutiny sessions or submitted by email and formal responses are included

in this document. A review of the main movements on the income and expenditure account, balance sheet and cashflow was also provided.

- 2.12 The accounts presented to the committee on the 16<sup>th</sup> June 2010 have been updated for the changes suggested to format and updates to the notes that were outstanding that relate to the Glitnir deposits. A further review of the entries within the STRGL to eliminate the 2 additional lines has also been completed. These accounts are attached in Appendix 2. A full analysis of changes between various versions of the accounts since the initial draft is available for review.
- 2.13 These papers, together with any comments and feedback from the Panel, will be provided at the Committee meeting.

### **Implications**

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<b>Financial:</b>	The financial effects are identified in the report and the accompanying Financial Statements.  Comments checked by Karen Muir, Corporate System Accountant 01295 221559.
<b>Legal:</b>	The Council must ensure its financial statements are prepared in accordance with SoRP guidelines and available for audit by June 30 <sup>th</sup> 2010.
<b>Risk Management:</b>	Failure to meet the statutory deadline or to follow the guidance laid down in the SoRP may lead to adverse comment in the External Audit Report and have a negative effect on the Financial Reporting Use of Resources and value for money assessment  Comments checked by Karen Muir, Corporate System Accountant, 01295 221559.

### **Wards Affected**

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All wards are affected.

### **Document Information**

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<b>Appendix No</b>	<b>Title</b>
Appendix 1 Appendix 2	Review of Accounts Document Financial Statements 2009/10 Draft Subject to Audit
<b>Background Papers</b>	
All relevant finance papers	
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