

## **WIRRAL COUNCIL**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

**30 SEPTEMBER 2008**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **STATEMENT OF ACCOUNTS 2007/08**

##### **1. EXECUTIVE SUMMARY**

- 1.1. The Statement of Accounts for 2007/08 was approved by this Committee on 30 June 2008 and was then subject to audit. The District Auditor will report his findings within the Annual Governance Report elsewhere on this agenda.
- 1.2. In accordance with the Accounts and Audit Regulations 2003 any amendments requested have now to be presented, along with revised accounts, for approval.

##### **2. AMENDMENTS TO THE STATEMENT OF ACCOUNTS**

- 2.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council as at 31 March 2008 in accordance with prescribed guidance.
- 2.2 Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government the District Auditor reports upon the financial statements of the Authority.
- 2.3 There are number of amendments to the financial statements that have been agreed with the District Auditor. These are detailed in the Annual Governance Report - Appendix 2. Members are asked to consider whether or not they agree to the amendments summarised in the following paragraphs:-

###### **2.3.1. Balance Sheet**

- There were amendments involving the revision to the prior period adjustment (note 1 in the Statement of Accounts) in respect of the need to reflect a number of properties classified as being on long leases. These were correctly reflected in the draft Statement of Accounts and Asset Register at the 31 March 2008 but a revision to the accounting entries for 1 April 2007 had to be made following audit.

- Under Fixed Assets there are changes to the treatment of a number of items that had been impaired rather than being treated as deferred charges.
- The overstatement of creditors in relation to Standards Fund has resulted in the need to revise the related entries.

### 2.3.2. Income and Expenditure Account

Changes to the Income and Expenditure Account for 2007/08 were required in relation to the adjustments mentioned at 2.3.1. No revision for the £0.622m depreciation relating to the prior period adjustment has been made as there would be a corresponding amendment in the Statements. It is deemed to be not significant having no effect on the overall financial position.

### 2.3.3 Collection Fund

Both the Business Rates income and the contributions to the pool were understated by £0.351m due to the netting off of the cost of collection from both items.

## 2.4 General

The audit raised a number of matters that were the subject of discussion and clarification. These resulted in the main changes outlined in section 2.3 and are summarised in the table below. A number of other minor amendments have been made to the Statement of Accounts.

<b>Nature of Amendment</b>	<b>Amount £m</b>
Revision to Prior Period Adjustment	9.465
Impairment related to the Prior Period Adjustment	2.885
Expenditure on Impairments rather than deferred charges	2.975
Alteration of Standards Fund Creditors and Income and Expenditure	3.371
Collection Fund- restated income	0.351

2.5 None of the amendments requested by, and agreed with, the District Auditor has any impact on the financial position of the Council.

## 3. CONCLUSIONS

3.1 The Audit Opinion will be issued following Committee consideration of the Annual Governance Report and the approval of the amended Statement of Accounts. Once approved, the District Auditor has indicated that he will again issue an unqualified opinion and state that the accounts present fairly the financial position of the Council at 31 March 2008.

- 3.2 The Auditor's report is incorporated within the final version of the Statement of Accounts and enables the accounts to be agreed before the statutory deadline of 30 September.

#### **4. COMMENTS**

- 4.1 The Statement of Accounts was presented to Committee before the statutory deadline of 30 June. As in previous years further enhancements and improvements were made to the year-end process. This included the quality and content of the Statement and supporting papers. The Audit Commission view of the arrangements for producing the Statement of Accounts is that they were satisfactory, produced by the target date and the working papers are deemed to be good.

- 4.2 The accounts for 2007/08 reflected a number of major changes in accounting policy that originated in the SORP (Statement of Recommended Practice) 2007. These required considerable changes to be made to the arrangements to account for capital and financial instruments.

##### **4.2.1 Capital**

The changes required the creation of very detailed accounting records for each individual asset owned by the Council and evaluation of every accounting transaction relating to the asset over its ownership history. The extent of this work was considerable and the number of accounting entries required to comply with this element of the SORP increased from 7 in 2006/07 to over 1,100 in 2007/08.

##### **4.2.2 Financial Instruments**

The introduction of financial instruments also involved extensive work and liaison with the treasury management consultants to revalue borrowings and investments in accordance with the Financial Reporting Standards. These accounting requirements from the SORP have been audited and the Commission in the Annual Governance Statement have stated that "The Council has introduced these new requirements successfully whilst also improving on issues raised last year".

- 4.3 In seeking to improve the standards of documentation and evidence for the Statement of Accounts, as well as in financial management and control, the Finance Department will continue to work with the Audit Commission.

#### **5. FINANCIAL AND STAFFING IMPLICATIONS**

- 5.1 The amendments made to the Statement of Accounts 2007/08 have no impact upon the financial position as at 31 March 2008.

- 5.2 There are no staffing implications arising from this report.

**6. EQUAL OPPORTUNITIES IMPLICATIONS**

6.1. There are none arising directly from this report.

**7. HUMAN RIGHTS IMPLICATIONS**

7.1. There are none arising directly from this report.

**8. COMMUNITY SAFETY IMPLICATIONS**

8.1. There are no specific implications arising from this report.

**9. LOCAL MEMBERS SUPPORT IMPLICATIONS**

9.1. There are no specific implications for any Member or Ward.

**10. LOCAL AGENDA 21 IMPLICATIONS**

10.1. There are none arising directly from this report.

**11. PLANNING IMPLICATIONS**

11.1. There are none arising from this report.

**12. BACKGROUND PAPERS**

12.1. The Annual Governance Report issued by the Audit Commission - September 2008.

**13. RECOMMENDATIONS**

13.1. That Committee considers the amendments to the Statement of Accounts for 2007/08 as detailed in paragraph 2.3, the Annual Governance Report and the Letter of Representation (Appendix 1 of the Annual Governance Report).

13.2. That, subject to the above recommendation the letter of Representation be agreed and the revised Statement of Accounts for 2007/08 be approved.

13.3. That, subject to the agreement of the Annual Governance Statement, the recommendations contained be approved.

13.4. That regular progress reports be presented to this Committee with regard to achieving compliance with the recommendations contained within the Annual Governance Statement.

IAN COLEMAN  
DIRECTOR OF FINANCE