

WIRRAL COUNCIL

CABINET

15 OCTOBER 2009

REPORT OF THE DIRECTOR OF FINANCE

STATEMENT OF ACCOUNTS 2008/09

1. EXECUTIVE SUMMARY

- 1.1. The Statement of Accounts for 2008/09 was approved by this Committee on 29 June 2009 and was then subject to audit. The District Auditor has reported his findings within the Annual Governance Report and Members are requested to consider this report with his report and the Letter of Representation.
- 1.2. In accordance with the Accounts and Audit Regulations 2003 the Audit and Risk Management Committee on 23 September 2009 considered the adjusted amendments to, and the unadjusted misstatements in, the Statement of Accounts for 2008/09. This report highlights the amendments following audit. The Audit and Risk Management Committee approved the revised accounts.
- 1.3. The Statement of Accounts includes the Merseyside Pension Fund accounts as Wirral Council is the Administering Authority. The Pension Fund receives a separate Annual Governance Report which is included elsewhere on this agenda.

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 at 31 March 2009 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.
- 2.3. There are a number of amendments to the financial statements that have been requested by the District Auditor. These are detailed in the Annual Governance Report - Appendix 2. and are summarised in the following paragraphs:-

2.3.1. Balance Sheet

The changes required related to the following adjustments:-

- i. The reduction in the value of a number of Community Assets to a nominal sum to reflect recommended accounting practice. In the 2005/06 Statement of Accounts several assets, including Arrowe Park were reclassified from operational to community assets and the value that transferred at that time reflected their operational use. This year the audit has recommended that this is changed to reflect the community nature of this group of assets.
- ii. Whilst the Oval Sports Centre buildings are included within the assets the value of the land was omitted from the tangible fixed assets in the Balance Sheet.
- iii. In respect of one school, its buildings and land were included, although only part of the playing fields was owned by the Council, reducing the tangible fixed assets in the Balance Sheet.
- iv. A number of provisions, totalling £3.215 million, have been reclassified as reserves to reflect more accurately the obligations placed upon the Council. This adjustment has reduced the value of provisions and increased the size of reserves.
- v. The understatement of debtors and creditors due to “netting off” in relation to Collection Fund has resulted in the need to revise the related entries.
- vi. The incorrect analysis between long and short term investments which has not changed the total value of investment held by the Council.

2.3.2. Income and Expenditure Account

The changes required related to the following adjustments:-

- i. Council Tax benefit payments (£26.396 million) were recorded under the line for Other Housing Services which was consistent with the approach that Wirral has used for many years. The audit identified that this should be recorded under Central Services to the Public and the adjustment has been made between these two lines.
- ii. Revenue expenditure funded from capital under statute (REFCUS) was included as a net expenditure figure being consistent with the approach adopted for many years. The audit identified that this should be recorded as Gross Expenditure and Gross Income and this adjustment has been made and the net revenue expenditure has not changed.

- iii. Capital receipts of £2.230 million received by the Council that do not relate to specific fixed assets have been credited directly to the useable capital reserve. Following audit these have now been recorded within the Income & Expenditure Account and the Statement of Movement on General Fund Balances before being credited to the useable capital receipts reserve.
- iv. As mentioned above at 2.3.1.
 - a. The revision to the 2008/09 gross expenditure of £3.215 million relates to the reclassification of a number of provisions as reserves and primarily related to the Insurance Fund and Technical Services.
 - b. A revision of £1.3 million to the line for (Gain)/Loss on sale of fixed assets to reflect the reduction in tangible fixed assets for the adjustment relating to school land.

2.3.3 Statement of the Movement on the General Fund Balance

Changes to the Movement on the General Fund Balance for 2008/09 were required in relation to the adjustments at 2.3.1 and 2.3.2 (iv).

2.3.4 Summary of Amendments made to the draft Statement of Accounts 2008/09

Nature of Amendment	Amount £000	Area Changed	Effect on Balances £000
Council Tax benefits recorded under Central Services to the Public and not Other Housing Services	26,396	Income & Expenditure A/c	Nil
Recording of Gross Revenue expenditure funded from Capital under Statute	16,539	Income & Expenditure A/c	Nil
Specific Community assets valued at a nominal amount	14,703	Balance Sheet	Nil
Inclusion of the value of land at the Oval Sports Centre	3,463	Balance Sheet	Nil
Debtors and Creditors grossed up within the Collection Fund	2,497	Balance Sheet	Nil
Capital receipts not recorded in as a gain on the disposal on fixed assets	2,230	Income & Expenditure A/c Statement of Movement on GF Balances	Nil

Reclassification of long and short term investments	1,989	Balance Sheet	Nil
Reclassification of provisions as reserves	3,215	Balance Sheet Income & Expenditure A/c	Nil
Reclassification of part of the value of a school	1,300	Balance Sheet	Nil

2.4 A number of unadjusted misstatements in the accounts have been identified following audit. Details of each item and an explanation as to why they have not been adjusted is given below.

- i. Collection Fund account credits of £484,000 have been netted off against debtors. These have not been adjusted for as there is uncertainty over the classification of these items as they relate to a number of individual accounts which are to be assessed in 2009/10.
- ii. A number of revaluations totaling £270,000 have been performed but not reflected in the 2008/09 accounts. These have not been adjusted due to their not being of a material value and will be incorporated with the revaluations in 2009/10.
- iii. A debtor of £240,000 was provided for in 2008/09 that was subsequently cancelled in 2009/10. This has not been adjusted for in the accounts due to it being dealt within in the new financial year.
- iv. Cash overstated and schools expenditure understated by an estimated £167,000 due to the recording of the balance held at the year end. This relates to cash spent but not reimbursed and the work to identify and adjust would be substantial for the value involved.

3. CONCLUSION

3.1 The District Auditor has again issued an unqualified opinion and stated that the accounts present fairly the financial position of the Council at 31 March 2009.

4. COMMENTS

- 4.1 The Statement of Accounts was presented to the Audit and Risk Management Committee before the statutory deadline of 30 June 2009. The production of the Accounts for 2008/09 presented the Financial Services Division with a number of challenges beyond those that normally occur as a number of key staff were absent through sickness and others put in considerable work to meet the statutory deadline. The Audit Commission view of the Council arrangements for producing the Accounts is that they were satisfactory, produced by the target date and the working papers were deemed to be good. The experience gained from these events will assist with the preparation of future Statement of Accounts.
- 4.2 The 2008 Statement of Recommended Practice (SORP) introduced a number of changes to the Statement of Accounts which have been complied with. The format of the accounts will change again in 2009/10 for the implementation of the 2009 SORP when the revisions will move authorities closer towards meeting the International Financial Reporting Standards (IFRS). All local authorities will be required to comply with IFRS from 2010/11 onwards and the Council has commenced work on IFRS and this continues. This includes the asset records relating to land and buildings and infrastructure assets and Council leases referred to in the Annual Governance Report. These will be progressed as part of the Action Plan.
- 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 2008/09 have no impact upon the financial position as at 31 March 2009.
- 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. Annual Governance Report - Audit Commission - September 2009.

13. **RECOMMENDATIONS**

13.1. That, the revised Statement of Accounts for 2008/09 be noted.

13.2. That the action plan within the Annual Governance Report be agreed.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/265/09