

Report of the Director of Resources

Statement of Accounts 2008/09

Summary

- 1 The purpose of this report is to enable Audit & Governance to examine and approve the Council's pre-audit Statement of Accounts 2008/09.

Recommendations

2. That the Audit & Governance Committee approves the pre-audit Statement of Accounts for the financial year ended 31 March 2009.
3. Reason: It is a statutory requirement that a committee of the Council or Full Council approves the Statement of Accounts for 2008/09 by 30 June 2009. Full Council resolved on 22 January 2009 that the Statement of Accounts be approved by Audit & Governance Committee.

Background

- 4 The report sets out the background for the requirement of Members to approve the draft pre-audit Statement of Accounts. The draft pre-audit Statement of Accounts is attached at Annex B. An appropriately signed copy will be presented to this meeting for final signature subject to approval of the committee.
5. To assist Members and readers in the understanding of the draft pre-audit Statement of Accounts a brief explanation and information on the constituent parts of the Statement of Accounts (in the order in which they are produced) are attached at annex A. This, supplemented by the presentation given to Audit & Governance on Monday 22 June 2009, will enhance Members' understanding and facilitate robust scrutiny prior to approval.
6. Following approval of the draft pre-audit Statement of Accounts, the accounts will be made available for public inspection on 13 July 2009 and the audit of accounts officially commences on Monday 10h August 2009. The Audit Commission expects to issue a report and opinion by the end of September 2009.
7. The pre-audit Statement of Accounts has been prepared in accordance with the CIPFA Statement of Recommend Practice (SORP) 2008 for accounts prepared on or after the 1 April 2008. The pre-audit Statement of Accounts continues to be produced in line with UK Generally Accepted Accounting Practices; this makes Local Authorities' accounts more compliant with the private sector. However,

these standards are designed for business accounting purposes and therefore erode some of the connectivity between the accounts and the Council's business.

8. Following the significant changes to the Statement of Accounts which have occurred over the last 2 years - in the alteration to the format / presentation and also the accounting for capital and financial instruments - there are fewer changes in SORP 2008 but they are still of note. The following paragraphs 9 to 13 explain the main changes that have occurred and which affect this Authority:
9. Changes to Accounting Standards FRS 17 Retirement Benefits, has resulted in the revision of the SORP 2008. The disclosure requirements of FRS 17 were amended to make them consistent with the disclosure requirements of IAS 19 Employee Benefits. Substantive revision has been made to the note regarding retirement benefits.
10. A new section on Area Based Grants (ABG) is applicable from 1 April 2008 and replaces the previous Local Area Agreement (LAA) funding. ABG is "general grant funding" and is therefore shown in 2008/09 accounts as a separate line in the Income & Expenditure account along with other general income sources such as income from the collection fund and NNDR.
11. Revaluation of a fixed asset as at the point of disposal is no longer permitted. Previously the gain or loss on disposal of fixed assets would have been based on the sales value of the asset at the point of disposal. In 2008/09 the gain or loss is the amount by which the disposal proceeds are more or less than the carrying value of the asset.
12. Clarification that, as permitted in FRS 1 Cash Flow Statements Revenue Activities, cash flows can be presented in the 2008/09 accounts using either the direct method (disclosure of major categories of gross cash receipts and gross cash payments) or the indirect method (whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus/deficit of the Income & expenditure for the year.) The CIPFA Toolkit for producing the cash flow in 2008/09 has been purchased and the indirect method has been selected.
13. The section on Post Balance Sheet Events has been amended in the SORP 2008 in line with FRS 21. The pre-audit Statement of Accounts (to be approved by 30 June 2009) is a formal document but they are not the Authority's definitive accounts, as they have not been audited. Therefore it remains possible to consider Post Balance Sheet Events up until the "authorisation for issue date" of the audited accounts (up to 30 September 2009).
14. A significant amount of work has been undertaken in 2008/09 to ensure that
 - the changes to the accounts in 2008/09 described in paragraphs 9 to 13 and
 - the recommendations and improvements identified by the Audit Commission in their 2007/08 Audit & Governance Reporthave been implemented as part of the 2008/09 Close of Accounts process.

15. A range of actions have been implemented in order to ensure the accounts are submitted within the statutory timetable: -
- A comprehensive action plan has been reviewed on a regular basis to ensure the financial statements and working papers are produced before the end of June 2009
 - Improved collaboration within Corporate Finance has identified key personnel to take responsibility for all areas of the accounts
 - A team of accountants representing all work areas have met weekly throughout the process to ensure the timetable is monitored and any issues across departments resolved early
 - Improved communication with Property Services has led to the design of a new Fixed Asset Register and completed property valuation certificates, both SORP 2008 compliant
 - The development of a web portal to hold all working papers and the Statement of Accounts to enable transparency and improvement of standard of working papers across all departments.
16. At the time of writing this report, the quality review is underway. Any proposed amendments to the draft pre-audit statement that are identified through this process will be presented to Members at Audit & Governance on 29 June 2009 in a “schedule of changes”.

Consultation

17. All services areas of the Authority have contributed to the pre-audit Statement of Accounts and working papers.
18. In line with the approval process agreed at Full Council on 22 January 2009 the pre-audit Statement of Accounts, which includes the Annual Governance Statement, are to be considered and approved by the Audit & Governance.

Options

19. That the Audit & Governance Committee approves the pre-audit Statement of Accounts for the financial year ended 31 March 2009, in accordance with the statutory requirement.

Corporate Priorities

20. When determining the CAA score to issue for the Council, consideration is given to whether or not the Statement of Accounts has been produced in accordance with statutory requirement and has undergone a full scrutiny by Members prior to being approved. The Statement of Accounts provides a technical financial summary of the activities of the council.

Implications

21. The implications are
- Financial - there are no financial implications to this report but the accounts continue to reflect overall a reasonably healthy financial position.
 - Human Resources - there are no human resource implications to this report
 - Equalities - there are no equality implications to this report
 - Legal - there are no legal implications to this report

- Crime and Disorder - there are no crime and disorder implications to this report
- Information Technology - there are no information technology implications to this report
- Property - there are no property implications to this report
- Other - there are no other implications to this report

Risk Management

22. Areas of risk identified throughout the Close of Accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met. The risks identified in 2008/09 were
- The conflict of interest of staff working on the new financial system where their time was also required for Statement of Accounts
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 - Technical ability and capability of personnel
 - Impact of the Changes to the SORP 2008
23. Also, this report is for Members to approve the pre-audit Statement of Accounts by the statutory deadline. Failure to adequately review the Accounts can impact negatively upon the Council's CAA assessment and reportage of financial issues.

Conclusion

24. The production and publication of the Statement of Accounts is a statutory requirement that provides Members and interested parties with the chance to see the full financial position of the Council.
25. Bringing the Statement of Accounts to Audit & Governance provides an opportunity for Member led debate and compliance with defined best practice. It is an important part of Member involvement in corporate governance that a full scrutiny is undertaken of the Council's Accounts.
26. It is intended that following a receipt of an unqualified opinion on the accounts from the District Auditor, that the finalised Statement of Accounts 2008/09 will be published and distributed to all Members and Chief Officers. The District Auditor is required to give his opinion as part of the Annual Governance Report to be considered by Audit and Governance Committee no later than the 30th September 2009.

Contact Details

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Ian Floyd
Director of Resources

Report approved ✓

Date 23/6/09

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all*

All

✓

For further information please contact the author of this report

Background Working Papers

Statement of Accounts 2008/09
Supporting Working papers held by all Finance Departments
Statement of Recommended Practice (SORP 2008) Guidance Notes for Practitioners
Best Value Accounting Code of Practice 2008

Annexes

Annex A - Explanation and information on the constituent parts of the Statement of Accounts

Annex B – Draft, pre-audit Statement of Accounts - circulated separately to Members and available on the Council's website at:

http://www.york.gov.uk/council/council_budget/accounts/soa