

Committee: OPERATIONS
Date: 28th September 2006
Title: Statement of Accounts 2005/06

Agenda Item

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Summary

1. This report presents the revised Statement of Accounts for 2005/06 following the conclusion of the annual audit of the draft Statements by the Audit Commission.

Recommendations

2. This Committee is recommended to

Note the amendments to the now finalised Statement of Accounts for the financial year ended 31st March 2006 attached to this report

Note the intention of the Leader of the Council, Chief Executive and Chief Financial Officer to re-sign the revised Statement of Internal Control attached to this report

Background Papers Background Papers

3. 2005-06 Final Accounts working papers. Audit Commission report on the draft Statement of accounts, attached to this report. Contact Philip O'Dell on 01799-510670 or email podell@uttlesford.gov.uk

Impact

Communication/Consultation	Officers are currently preparing a user-friendly set of accounts to help the public understand the Council's financial position more fully
Community Safety	There are no specific community safety implications contained in this report
Equalities	There are no specific equalities implications contained in this report
Finance	The Statement of Accounts represent a key indication of the Council's financial health
Human Rights	There are no specific human rights implications contained in this report
Legal implications	The Statement of Accounts has to comply with the legal requirements relating to the Council's finances

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Ward-specific impacts	There are no specific ward implications contained in this report
Workforce/Workplace	There are no specific workforce/workplace implications contained in this report

Situation

4. The draft Statement of Accounts was approved by this Committee on 29th June 2006.
5. Since that date, the Audit Commission have undertaken their audit of the draft Statements. In accordance with the Council's Constitution, the Audit Commission report on the Statement of Accounts was received by the Performance Select Committee on 21st September 2006. The Audit Commission report, which also includes an updated view on the Council's Use of Resources Assessment, indicated that the Audit Commission intend, subject to finalisation of a few issues, to issue an unqualified audit opinion on the accounts on 30th September 2006.
6. The Audit Commission report is attached to this report. It contains 5 recommendations in relation to the accounts. The Performance Select Committee considered these recommendations and resolved the following:
 - 1 the Committee receives and notes the 2005/06 Statement of Accounts with the Audit Commission Report on them and recommends them for the consideration of the Operations Committee with the following observations from the Performance Select Committee:-
 - 2 the Committee supports the principle of the Audit Commission's recommendation to amend the draft financial statements for the uncorrected misstatement identified regarding software licences, and notes the list of material and significant misstatements already adjusted by management.
 - 3 the Operations Committee is requested to send a letter of protest to the Essex County Council concerning their actuaries' omission of the March pension fund gain from the actuarial valuation of the Pension Fund, causing a substantial misstatement.
 - 4 the Operations Committee be informed that although processes for accounts production have improved compared with the previous year, the Committee

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supports the Audit Commission's recommendations that the Council should improve year end and qualitative processes for timely production of the financial statements to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers, and that it should ensure that sufficient good quality and permanent staff are recruited by the Council and are available to prepare the accounts and respond to audit queries.

- 5 the Operations Committee is asked to take on board the Audit Commission's concern that valuations are obtained by the staff preparing the accounts and the amounts checked in a timely manner. Likewise the committee supports the Commission's recommendation that reconciliations should be prepared and reconciled to the ledger for all feeder systems and cash in transit prior to the approval of the accounts.
 - 6 the Operations Committee is asked to note that the fee for the audit is not yet closed and may change.
7. In effect the Performance Select Committee accepted the Audit Commission's 5 recommendations. However, resolution 2 of the Committee was worded in recognition of the updated information provided by officers and confirmed by the Audit Commission at the meeting. This is that the figure for software leases misclassified as tangible rather than intangible assets in the accounts would be nearer to £100,000 rather than £382,000 as shown in the Audit Commission report. The final figure should be available at the meeting of this Committee. If confirmed, such a figure would be regarded as not material by the Audit Commission and would not have been reported on as it had been originally. On this basis, but also because of the urgency of getting the final Statement of Accounts to this Committee, officers have not made this amendment, and would seek the Committee's support regarding this decision.
8. The Audit Commission have now confirmed that the action this Committee should be asked to take is merely to note the changes to the draft accounts, rather than to approve the revised figures, as would have been the case under audit guidelines for previous years. The Committee will also be asked to note that the Leader of the Council, the Chief Executive and the Chief Financial Officer have been asked to resign and re-date the Statement on Systems of Internal Control. The amendments consist of the addition of one line concerning the Council's duty to achieve best value, and a heading for the paragraph about the annual review of the effectiveness of the system of internal control.

Pay-Offs/Penalties

- 9. Receipt of an unqualified opinion and audit certificate is a key indicator of the Council’s financial health and ability to apply best practice in financial management. The Statement of Accounts are also a major factor in the Comprehensive Performance Assessment Use of Resources scoring system , thereby having a crucial role in the Council’s next rating under this regime.

Risk Analysis

Risk	Likelihood	Impact	Mitigating Actions
That the final work being undertaken by the Audit Commission will lead to a late or qualified audit opinion being issued	LOW	HIGH	Close liaison between the Audit Commission and Council officers