

Final Accounts 2004/05

Resources Committee, item 6

Committee: RESOURCES COMMITTEE

Agenda Item

Date: 17th November 2005

6

Title: Final Accounts 2004/05

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Item for decision

Summary

This report puts on record the revised Statement of Accounts for 2004/05 and the associated revised report from the Council's External Auditors.

Recommendations

That the Committee notes this report.

Background Papers

The following papers were referred to by the author in the preparation of this report and are available for inspection from the author.

Final Accounts working papers 2004/05

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	The revised Statement of Accounts now reflect the Council's financial standing at 31 March 2005.
Human Rights	None
Legal implications	None
Ward-specific impacts	None
Workforce/Workplace	None

Final Accounts 2004/05

Resources Committee, item 6

Situation

- 1 On 29 September the Resources Committee received the report from the Council 's External Auditors regarding the draft 2004/05 Accounts. This report said that at that time, with more work still to do, there were no matters for the Auditors to report on.
- 2 In finalising the work on the Accounts the Council's Chief Financial Officer agreed with the Auditors two sets of changes to the draft Accounts. These were brought to the attention of all Members of this Committee by email dated 27 October as advised as necessary by the Auditors so as to meet their deadline of 31 March for the audit to be completed. As was made clear to Members the changes agreed do not represent any qualification of the Accounts, or any other issue which will have implications for the Council. They are merely changes which in previous years which would have been agreed with the Auditors and reported to this Committee prior to the audit being completed but which were not possible to do this year because of the accelerated timetable.
- 3 It was emphasised to Members of the Committee that they were not being asked to agree the revised Statement of Accounts, or to certify that they were correct. As with the draft Statement of Accounts it is for the Chief Financial Officer to agree any changes to the draft Accounts with Members noting such agreement.
- 4 As was explained to all Members, the changes are detailed in the attached report from the Auditors, and can be summarised as follows:
 - (a) Changes to more fully comply with the 'SORP' (Statement of Recommended Practice) which govern council accounts. The major change here is to delete altogether two figures on the Council's balance sheet that already cancel each other out. These figures no longer need to be shown on the Balance Sheet following a change in the SORP that had not been noticed when the draft Accounts were prepared. The figures involved, which based on what has been said, are the same at £7,182,000 on both the asset and liability side of the Balance Sheet, are in fact the book value of the Leisure Centres, and their associated undischarged book value at the point they were transferred to the Leisure PFI provider. The value of the Leisure Centres will in fact return to the Council's Balance Sheet in around 30 years from now when the PFI contract ends.
 - (b) Changes to the Council's Cash Flow Statement. This Statement is prepared last during the final accounts process and is therefore most at risk regarding the timescale for completion. As the name implies, it looks at the flow of money, be it cash, cheque or other methods, in and out of the Council during the year. It is the most difficult to prepare of all the Statements as it requires adjusting the whole basis of the accounts from the accruals basis that are used for all the other Statements. At the time the Statement of Accounts were brought to this

Final Accounts 2004/05

Resources Committee, item 6

Committee in July this statement was considered to be correct, but in fact there are several adjustments which the Auditors believed were necessary and which have been made. The main reason for the adjustments being necessary was a breakdown in communication regarding what had or had not been adjusted as the deadline for finalisation loomed.

- 5 Attached to this report are therefore the revised Accounts and an amended report from the Auditors, with the latter containing full details of the agreed changes. The Chairman of the Resources Committee and the Chief Financial Officer have signed the revised Accounts.
- 6 Normally any such changes to the draft Statement of Accounts could have been brought to this meeting of the Committee, but the advanced External Audit timescale for audit of 31 October prevented this.
- 7 Although the whole Statement of Accounts should really have been done correctly first time, it is important to point out that the main accounting statements were prepared correctly during a time when the Financial Services Unit had lost key staff, were undertaking year-end for the first time with a new financial system, and had to advance the process by one month compared to the previous year based on revised government and audit requirements. Important lessons have been learnt which will assist with the process for the 2005/06 Statement of Accounts, when the process will again be accelerated by one month based on an externally imposed timescale.

Risk Analysis

- 8 There are considered to be no risks associated with this issue.