

AUDIT COMMITTEE

Statement of Accounts 2008/09 30 June 2009

Report of Head of Financial Services

PURPOSE OF REPORT

This report seeks Members' approval of the draft Statement of Accounts for 2008/09 (attached at **Appendix A**) and outlines the audit process for information.

This report is public.

RECOMMENDATIONS

- (1) That the Committee considers the Accounts and any issues arising.
- (2) That the draft Statement of Accounts for the financial year ended 31 March 2009 be approved, and that the Chairman signs and dates the Accounts accordingly.

1 ACCOUNTS AND AUDIT REGULATIONS (AS AMENDED)

1.1 Each year Councils must make arrangements for the production, consideration, approval, inspection and audit of their accounts. The Account and Audit Regulations set out various requirements in relation to the process and in recent years they have been updated to provide for the following:

- Date of Approval
Councils have to gain approval of their draft unaudited accounts by 30 June.
- Signing of Accounts by Chairman
The intention behind this requirement is that the Chairman's signature should represent the completion of the Council's approval process for its accounts. The requirement for her to sign does not relate to the role of the Chief Financial Officer, as that officer alone is responsible for certifying that the statement of accounts is a proper reflection of the Council's financial position. Notwithstanding this, the Committee is required to consider the accounts though it is recognised that practically, it is very difficult for Members (and others) to comment and challenge constructively, on what is a very complex document. To help with this, however, some examples of questions that Members may wish to consider are attached at **Appendix B**. An overview of the accounts will be given at the

meeting and in addition, Members may contact the Head of Financial Services beforehand, to discuss the accounts informally.

- Provision for Missing Deadline for Approval
Where an authority fails to approve its accounts by the 30 June deadline, e.g. because of discrepancies, it must hold a further meeting within 20 days to re-consider the accounts. If it still cannot approve the accounts then, it must publish a statement as to the reasons why. It is envisaged that these provisions would be used only in exceptional circumstances.
- Annual review and statement on internal control
This is the subject of an item elsewhere on the agenda, i.e. the Annual Governance Statement.
- Publication of Accounts
Following the audit, the Committee will receive feedback as appropriate and if necessary, amendments to the draft accounts may need to be approved. In any event, the deadline for publishing the audited final accounts is 30 September.

2 KEY ISSUES AND SUMMARY POINTS ARISING

2.1 Members will be aware that 2008/09 has been a very difficult year financially for the Council, particularly in view of changing economic circumstances and the collapse of the Icelandic banking system. The Statement of Accounts includes various associated disclosures but for clarity, some key points are summarised below:

- There was a net underspending on General Fund of £209K, but this was after allowing for additional net transfers to provisions and reserves, amounting to £650K. There are a number of budget carry forward requests expected from services, however, for consideration by Members and if any are approved, this would reduce the £209K apparent 'surplus' created by the underspending.
- The Housing Revenue Account had a net underspending of £144K. Again this is before carry forward requests and given that much of the net underspending relates to planned maintenance works, the total of carry forwards requested is expected to be as high as, if not greater than, the actual net underspend itself.
- With regard to Icelandic investments, initially the accounts are based on the following recovery rates for each bank, based on recent guidance:

Glitnir	100%
Landsbanki	95%
KSF	50%

In essence, these reflect that currently the Council is ranked as a preferential creditor of Glitnir and Landsbanki and also that the Administrator of KSF has so far estimated that minimum total returns should be in the region of 50%. The above recovery rates would mean that the potential net loss that the Council faces amounts to around £1.1M. This is not provided for specifically within the Accounts as under Government Regulations, Councils can defer the impact (as was the case in setting the 2009/10 Budget). That aside, an additional amount of £800K has been transferred into the general Capital Support Reserve in last year. Coupled with the unbudgeted interest from the Icelandic investments that may be repaid in the current year, a total of around £1.1M should be available –

either to make specific provision for Icelandic losses, or to provide additional funding for the Luneside project, depending on progress. (This latter item is referred to in the 'Contingent Liabilities' note on page 50 of the Accounts).

- 2.2 There will be many other issues to be considered as part of the outturn but as is usual, full reports will be presented to Cabinet and Budget and Performance Panel in due course. Other outline explanatory information on interpreting the accounts and the key issues arising are included in the 'Foreword' section, and Members may find this a useful overview and starting point in their deliberations. (Copies of this covering report and the Foreword to the Accounts have been sent specifically to Cabinet and Budget and Performance Panel Members, for information.) It is also highlighted that in line with recommended practice, there have been some further changes to the presentation of various elements of the accounts for 2008/09 and these too will be outlined at the meeting.

3 ACCOUNTS APPROVAL AND AUDIT OF ACCOUNTS PROCESS

- 3.1 Under the Constitution, this Committee has specific authority to approve the Statement of Accounts. Subject to this approval being gained, the Chairman will be asked to sign and date a copy of the accounts for the purpose outlined above.
- 3.2 Subsequent to the accounts being approved, KPMG LLP, the Council's External Auditors, are due to commence the audit of accounts on Monday 20 July. The four week public inspection period commences on Monday 29 June, and the External Auditor will be available to answer local electors' questions relating to the accounts on Monday 27 July. In accordance with the Regulations, these dates have been advertised in the local press and are on the website.
- 3.3 If any significant issues or 'non-trifling' matters arise during the audit these will need to be reported back for consideration by the Committee. In any event, the outcome of the audit will be included within the External Auditor's Annual Audit and Inspection Letter to the Authority, which will be reported to all Members in due course.
- 3.4 Once audited, the Statement of Accounts will be published by 30 September. Summary accounts and information will also be made available as appropriate, through other existing Council publications and the website.

4 Details of Consultation

No other consultation, other than the public inspection period as referred to above. As background information, Members may wish to refer to the Audit Commission's guidance to the public regarding public inspection, available through their website (<http://www.audit-commission.gov.uk/nationalstudies/localgov/>)

5 Options and Options Analysis (including risk assessment)

Members could consider and approve the accounts as set out, which would meet the statutory deadline, and they could also request further information or make supporting recommendations. As the approval process represents, in the main, an acknowledgement that the draft accounts have been completed, there are no substantive alternative options put forward. If, however, Members have significant concerns or issues, e.g. where major discrepancies seem apparent, and they do not feel in a position to approve the accounts, then the provisions for failing to meet the

statutory deadline are outlined above. It is reiterated, however, that these provisions are designed to deal with exceptional circumstances, rather than being the norm.

6 Conclusion

- 6.1 The approval of the Accounts by the Committee would ensure that the statutory deadline is met. Again this represents a significant achievement by all those involved in the process. The resources required to produce the Accounts have increased substantially in recent years, and this looks set to continue in future as new requirements are introduced, e.g. adoption of International Financial Reporting Standards (IFRS).

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

No implications directly arising.

FINANCIAL IMPLICATIONS

The Statement reflects the 2008/09 provisional outturn position, which is to be reported in more detail to Cabinet at the end of July. Any further implications arising for current and future years will be assessed and fed through into this year's corporate financial monitoring and the review of the Medium Term Financial Strategy and Capital Investment Strategy, as appropriate.

DEPUTY SECTION 151 OFFICER'S COMMENTS

This report was prepared by the s151 officer as part of her responsibilities. Clearly the subject of the report is subject to external audit, the outcome of which will also be reported to Members.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add.

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted and has no comments to add.

BACKGROUND PAPERS

Accounting and Audit Regulations, as amended.

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