

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	25 September 2008

REPORT ON RESUBMISSION OF THE ACCOUNTS 2007/08

PURPOSE OF REPORT

- To update members of the impact on the Council's financial position as a result of amendments made to the accounts during the audit and to comment on the recommendations made in the Annual Governance Report.

RECOMMENDATION(S)

- That the report be noted and the accounts re-approved.

EXECUTIVE SUMMARY OF REPORT

- This report sets out the amendments to the accounts following completion of the statutory audit. The report explains in detail the amendments to be made and the impact they have on the Councils overall financial position.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

- To ensure the statutory timetable for completion of the accounts is met the majority of the amendment required or presentational and were this is not the case an explanation is given. The items that require adjustment are in relation to asset valuations and inflate their valuation. Overall there is no impact on the Councils income or expenditure position.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- None.

CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	
Involving people in their communities		Ensure Chorley Borough Council is a performing organization	

BACKGROUND

7. In June 2008 I submitted reports to the Audit Committee outlining the Council's financial position following the production of the statutory accounts for 2007/08. The report stated that all the numbers were subject to Audit and I would report back to the Committee on any changes that were required to the accounts following the Audit. The amendments and the internal control issues are highlighted in the Annual Governance Report which is included on the Agenda.

IMPLICATIONS OF CHANGES ON THE ACCOUNTS

8. The issues identified during the audit can be classified in two ways, either items that require changing to meet the statement of recommended practice (SORP), but have no financial impact beyond being presentational and others which affect in real terms the figures presented in the Accounts. In relation to the first type of amendment, the following items fall into this classification.

Comments	£000
Preserved right to buy income shown on the wrong line in the income and expenditure account	1,144
Transfer of King Street asset, shown in the wrong line in the balance sheet	0,314
Information incorrectly included/excluded in notes in the accounts	
Note 46 Statutory debts	1,571
Note 44 Cash flow note	8,008
Capitalised redundancy costs that should not have flowed through the income and expenditure account	0,499
A non adjusting post balance sheet event should have been included as a note to the Accounts. It is now included at note 47	

In terms of the second kind of adjustment which affects the figures are not predominantly presentational the following adjustments have been made.

Comments	£000
Depreciation not written out of balance sheet resulting in assets being overvalued	0,602
Revaluation of Union Street asset not included in accounts	0,325

In other words, the Council's asset base of £33.8m shown in the balance sheet had been undervalued by £0.927 or 2.7%.

In addition some further amendments have been made to prior year figures as referred to in table 2 paragraph 15 of the Auditor's Governance Report. The Auditor has concluded that the adjustments do not help the reader if they compare the accounts with the previous year's figures. My view was contrary to this in that the restated figures help the reader and that substance over form was as important as compliance with the SORP. In order to aid members to understand the changes that have been made a summary is provided at Appendix A of this report. The Auditor has concluded none of the item or material to the account in nature.

INTERNAL COUNCIL ISSUES

9. Throughout the report the Audit has highlighted a number of internal control weaknesses that would assist the Council in improving the quality of the accounts. I cannot disagree with the issues raised, but feel I should point out that improvements have been made during the production of the 2007/08 accounts and I believe this is reflected in the small number of mainly classification errors that have occurred.

As always we look to improve the way we do things and I accept all the recommendations made, some of which are to ensure we prepare for further changes to the statutory accounting guidance.

I feel however it is appropriate to comment on R6 of Appendix D which refers to ensuring the building control account breaks even. Members will be interested to note that this is not a major issue and a small deficit of £0.052m has been reported over the 3 year period against a turnover of £0.845m. Only small adjustments are required to achieve this breakeven position, on the assumption that income targets can be maintained. Income is currently at risk in terms of both the competition in the sector and the fact that the "credit crunch" could result in less development in the borough. The position will need to be kept under constant review.

IMPLICATIONS OF REPORT

10. This report has implications in the following areas and the relevant Corporate Directors' comments are included:

Finance	√	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID

POST AUDIT CHANGES - FINANCIAL STATEMENT 07/08

SoA Page No.	SoA Statement/Note	Description	Amounts Changes		From 2006/07		From 2007/08	
			£'000	£'000	£'000	£'000	£'000	£'000
Contents, 4, 18 to 24, 67 and 68	The Annual Governance Statement had been incorrectly headed and referred to as the Governance Assurance Statement. This has been changed		N/A					
16	acc pol 18	Note numbers changed	N/A					
17	Accounting policies	new notes inserted	N/A					
25 and 35	I&E and Note 14	Preserved RTB totalling 1143799.49 should not have been included in the 'Gains or losses on the sale of fixed assets' line of the I & E Account. These should have been shown on a separate line named 'Other Income'. This item has a corresponding reversal in Note 14 which also had to be separated out. This has now been done.	I & E Account & Note 14 Gains or losses on sale of fixed assets			-1,220.00		-76.00
25, 26, 27, 35	I&E, SMGFB, STRGL, Note 14	An adjustment for FRS 17 entries of (499) had been previously posted to the STRGL to reduce 8900 actuarial loss to 8401. Clarification on treatment has resulted in this adjustment now being posted to the I & E Account to NDC and being reversed out on in Note 14 on the 'Employers contributions to Lancashire Pension Fund and retirement benefits payable direct to pensioners' line changing this from 1138 to 1637	Other Income I & E Non distributed costs			0.00 1,151.00		-1,144.00 652.00
27	STRGL	In order to accommodate the previous years comparator for the collection fund balance, which was brought in this year after clarification on treatment, The (surplus)/deficit arising on revaluation of fixed assets figure published in the 06/07 accounts was adjusted from 10,018 to 9,813 and then the collection fund balance line of 205 was added. This was incorrect and the collection fund balance is now to be shown as 0 with the (Surplus)/deficit arising on revaluation of fixed assets put back to 10,018 as published in 06/07	Note 14 Employers contrib to Lancs Pension Fund & retirement benefits payable direct to pensioners STRGL (Surplus)/deficit arising on revaluation of fixed assets			1,138.00 -3,925.00		1,637.00 -4,771.00
28, 36, 38, 44, 45	Balance sheet, & notes 15 (FA), 17, (dep), 32 (Rev res)	write off depreciation on revalued assets (All Seasons & others). Revaluation of Union St	(Surplus)/deficit for the year on the Collection Fund I&E Other Land and Buildings	205.00	0.00		25,534.00	26,380.00
29	CFS	Purchase of fixed assets and capital grants received both changed by £109k due to late reclassification of debtors/receipts in advance	Note 15 Appropriations Revaluations Cash Flow Statement Purchase of fixed assets and other capital cash payments Capital grants received				567.00 3,322.00 -8,142.00	253.00 4,482.00 -8,033.00
30	note 3	typing error value of Veolia contract	N/A				1,598.00	1,489.00
30	note 3	Typing error	Typo error from 2,577 to 2,557					

33	note 11	change in remuneration band of 1 officer, as a result of exclusion of expenses	2007/08 figures adjusted remuneration band 70k-80k from 1 to 2 and 80k-90k from 3 to 2							
33	note 9	Members of the LAA identified in the note	N/A							
36	note 15 (FA)	King St correct analysis of changes to show as appropriation	Note 15 Appropriations						567.00	253.00
46	note 36	Contingent asset & liability note updated to provide more information on uncertainty	N/A							
46	note 32(d)	2006/7 errors in Fixed asset valuations dealt with as footnote to note 32(d) rather than as a prior year adjustment	N/A							
45	notes 32(b) & 32(d)	Opening balance date changed from 31 March to 1 April as both revaluation reserve and capital adjustment account only created on 1 April	N/A							
53	note 40	06/07 figures headed restated, deferred charges grossed up, LSVT capital receipt typo corrected and change in debtors adjusted	Note 40 Rec of Surplus or deficit to net cash flow from operating activities Deferred charges written off LSVT capital receipt applied Increase/(decrease) in debtors Deferred charges	-1,243.00 2,713.00 623.00 4,100.00	-5,944.00 2,173.00 1,163.00 8,801.00	4,701.00 540.00 -540.00 -4,701.00				
55	note 44	NNDR Receipt from Pool and Revenue Support Grant added	Note 44 Analysis of Government Grants Revenue activities	20,112.00	27,855.00	-7,743.00	20,923.00			28,931.00
56	note 46	exclude NNDR and council tax debtors from credit risk note	Note 46 Nature and Extent of risks arising from financial instruments. Line Rates & Taxpayers deleted changing totals				7,953.00			6,382.00
57	note 47	New note for post balance sheet events added and date of authorisation issued changed to note number 48	N/A							
57	note 47	Added Veolia contract details	N/A							
58	HRA I&E account	housing subsidy identified as receipt to agree to note 5	HRA I&E Account Supervision & management Negative or (positive) housing revenue account subsidy				55.00		0.00	62.00 -7.00