

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-012-2009/10.

Date of meeting: 24 September 2009.

Portfolio: Finance and Economic Development.

Subject: Statutory Statement of Accounts 2008/09.

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations:

That a report be submitted to the Council recommending that the amended Annual Governance Statement and the amended Statutory Statement of Accounts for 2008/09 be adopted.

Executive Summary:

The audit of the annual Statutory Statement of Accounts has revealed some errors in the Accounts previously considered by this Committee. The errors include one item that has been classified as material in terms of the Income and Expenditure Account. In these circumstances it is regarded as best practice to amend the Accounts and have them re-approved.

All Members of the Council will have the opportunity to debate the Accounts at Full Council on 29 September and part of that debate will be to consider the recommendation of this Committee.

Reasons for Proposed Decision:

The consideration of the draft Statutory Statement of Accounts falls within the Terms of Reference of this Committee. As the draft Accounts have been amended it is appropriate for them to be re-considered by this Committee. If Members are satisfied with the content of this report and the verbal responses to any questions raised, they are requested to recommend the amended draft Accounts for adoption by Full Council on 29 September.

Other Options for Action:

The Committee could decide that the Accounts should be further amended or expanded prior to them being presented to Full Council. Alternatively, the Committee could decide not to discharge this part of its terms of Reference and leave Full Council to scrutinise the amended Accounts.

Report:

1. At the 22 June meeting of the Committee considered the draft Statutory Statement of Accounts and recommended them to Full Council for approval. Full Council subsequently approved the Accounts and the audit of them is now nearly complete.
2. Where a material error is discovered the Director of Finance & ICT is required to report the amendment to this Committee. Only notification of material amendment is required and so whilst re-approving the Accounts is not compulsory it is regarded as best practice.

3. With the shortening of the timescale for the production of the Accounts, approval by Full Council is required by the end of June but historically had been by the end of September, there is less time for detailed checking. The size and complexity of the Accounts means it is difficult to get all disclosures and numbers exactly correct in the time available. The increased size and complexity is illustrated by the growth of the Accounts from 61 pages for 2006/07 to 74 pages in the draft for 2008/09. Some of the key estimations and challenges were outlined in the report that accompanied the draft accounts at the previous meeting of this Committee.

Material Amendment

4. The external auditors have advised that a material error has occurred on the Income and Expenditure Account. This error has arisen through the incorrect treatment of housing assets and the resulting impairment charge made to the Income and Expenditure Account. This error is not material in terms of the Balance Sheet and has no impact on the General Fund or Housing Revenue Account balances. However, given the need to reduce the impairment charge of £31 million by £0.9 million this is viewed as material. As such items are reversed in the Statement of Movement on General Fund Balance the surplus for the year is not effected.

Non-Trivial Amendments

5. An error was made in the impairment of investment properties. Correcting this error does not change the Balance Sheet totals or the General Fund or Housing Revenue Account balances. The movement of £657,000 is between the Capital Adjustment Account and the Revaluation Reserve.

6. A similar error was made on the impairment of garages, although as this had the opposite effect to the error in 5 above the two corrections almost off-set each other.

7. The income from housing and council tax benefit subsidy, approximately £36 million, was understated by £246,000. This error has been corrected and has the positive effect of increasing the General Fund balance.

8. Income from National Non-Domestic Rates was also understated, by £140,790, although the correction of this error does not affect the General Fund balance.

9. The external auditors also raised other points relating to disclosure requirements and the Annual Governance Statement. These points are detailed in the auditors Report to Those Charged with Governance.

10. The audit of the Accounts is nearly complete and the external auditors have indicated that they anticipate issuing an unqualified opinion on the amended Accounts before the end of September.

Resource Implications:

The Accounts set out the resource implications of the Authorities activities for 2008/09. The recommendation of the Accounts to Full Council does not in itself have any resource implications.

Legal and Governance Implications:

When the Accounts have been amended they should be re-approved, following the same process with this Committee considering them before Full Council.

Safer, Cleaner and Greener Implications:

There are no environmental implications.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

There are no equalities or risk management impacts.