

Report to the Audit and Governance Committee



**Epping Forest
District Council**

**Report reference: AGC-015-2010/11.
Date of meeting: 20 September 2010.**

Portfolio: Finance and Economic Development.

Subject: Statutory Statement of Accounts 2009/10.

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That a report be submitted to the Council recommending that the amended Annual Governance Statement and the amended Statutory Statement of Accounts for 2009/10 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 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 28 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 28 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. The 21 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. 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 treatment of the increase in property values. Normally an increase in property values is accounted for by increasing the asset value in the Fixed Asset note and crediting the amount of the revaluation to the Revaluation Reserve. However, last year the fall in property values meant that an impairment charge was made to the Income and Expenditure Account and the value of Fixed Assets and the balance on the Capital Adjustment Account were reduced. Given this previous impairment, the correct treatment is to reverse the impairment by making entries in the Income and Expenditure Account and Capital Adjustment Account.

5. Correcting the material error puts an additional credit of £25.5 million to the Income and Expenditure Account. Surpluses arising on the revaluation of Fixed Assets are reversed out in the Statement of Movement on the General Fund Balance, so the General Fund Balance is unchanged at £8.3 million.

6. The valuation itself was correct and so there is no change to the value of Fixed Assets on the Balance Sheet. However, as the change in valuation was taken to the wrong reserve the balance on the Revaluation Reserve reduces by £25.5 million and the balance on the Capital Adjustment Account increases by £25.5 million.

Non-Trivial Amendments

7. An error was made in the financial instruments note, as some items were incorrectly included within the totals. Adjustments of £5.5m and £1.1m have been made to debtors and creditors within financial instruments respectively. As this is only a disclosure note there is no impact on the Income and Expenditure Account or the Balance Sheet.

8. Cash balances for net assets employed had been calculated based on the reserves available for the relevant funds. The split was not calculated correctly across all relevant expense areas, the correction of which required £333,000 to be reapportioned from the General Fund to the Housing Revenue Account within net assets employed. Again, as this is only a disclosure note there is no impact on the Income and Expenditure Account or the Balance Sheet.

9. Whilst the Auditors were satisfied that the Heritable bank impairment had been correctly calculated, the whole of the investment had been disclosed as a short term investment. As the investment is now due back over more than one year, the invested balance should have been split between short and long term. An adjustment of £673,000 was made to reflect the value of the long term proportion of the invested balance receivable. A similar adjustment to disclosure for the prior year was required of £1.4m.

10. The draft accounts included £53,068 within creditors for amounts owed to a trust fund, for which the Council administers the bank account. This is contrary to the Statement of Recommended Practice (SORP) which requires exclusion of trust fund balances from the Balance Sheet. This has been corrected.

11. 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.

12. 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 2009/10. 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.