

AUDIT COMMITTEE	AGENDA ITEM No. 4
28 SEPTEMBER 2009	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director of Strategic Resources Steven Pilsworth, Head of Strategic Finance	☎ 452398 ☎ 384564

STATEMENT OF ACCOUNTS AND SUMMARY ACCOUNTS 2008/09

RECOMMENDATIONS	
FROM : John Harrison, Executive Director of Strategic Resources	Deadline date : 28 th September 2009
The Audit Committee is asked to:-	
1. Receive and approve the audited Statement of Accounts 2008/09	

1. ORIGIN OF REPORT

- 1.1. This report is submitted to Audit Committee following completion of the External Audit on the Statement of Accounts 2008/09 by PricewaterhouseCoopers (PwC), and in association with the PwC '2008/09 Report to those charged with governance'.
- 1.2. This report follows on from the consideration and approval of the Council's Statement of Accounts by this Committee on 29th June 2009.

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to receive and approve the audited Statement of Accounts.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. STATEMENT OF ACCOUNTS 2008/09

- 4.1. The production of a timely Statement of Accounts, which is free from material error, is a key test of the robustness of financial processes and underpins the financial standing of an organisation.
- 4.2. In recent years significant progress has been made with the Council's closure process. This has increased the Council's Use of Resources score for Financial reporting from a 1 in 2005 to a 4 for 2008, which has in turned led to national recognition and the Council being used as a example of notable practice in an Audit Commission report. The new scores, also contained in the PricewaterhouseCoopers (PwC) report, show that the Council's finance function continues to perform at these high standards.
- 4.3. The closure of accounts process has been further built upon for 2008/09, with the Statement of Accounts produced within the statutory timescales, and with a full draft ready a week earlier than previous years.
- 4.4. The draft Statement of Accounts was approved by Audit Committee on 29th June 2009 and has subsequently been the subject of External Audit by PwC.
- 4.5. On the first day of the Audit, the 13th July 2009, the Auditors were presented with a set of electronic working papers. This reduced the number of queries from the Auditors

significantly and enabled the Audit Team and the accountants to manage their work more effectively.

- 4.6. The Audit culminated in a clearance meeting on 11th September 2009, which included PwC's Relationship Manager and the Council's Executive Director of Strategic Resources. The meeting is the opportunity for PwC to outline their key findings and for the Section 151 Officer to challenge those findings where necessary.
- 4.7. Following the External Audit only a small number of typographical amendments have been made to the draft Statement of Accounts, which is a credit to all the staff involved in their production and the Audit Committee for their robust challenge. Thanks are extended to all staff who contributed to the closure process, either directly or indirectly.
- 4.8. The audited Statement of Accounts for 2008/09 are attached at Appendix 1.

5. 2008/09 REPORT TO THOSE CHARGED WITH GOVERNANCE

- 5.1. The following table highlights the main PwC report issues, and the actions the Council has / will undertake:

PwC Report	Management Action
An exceptional cost of £1.5m has been recognised in the Income & Expenditure Account. This relates to an impairment loss incurred on the Council's investments.	This relates to the £3m the Council had invested in two Icelandic banks which went into administration in October 2008. The impairment calculation and accounting treatment was made in accordance with guidance issued by CIPFA. The treasury management function has been reviewed and the counter party list for investments amended. A member of the team will be undertaking the new, specialist public sector treasury management qualification, launched by CIPFA in June 2009.
Due to an error in the calculation of the bad debt provision for National Non-Domestic Rates (NDR), the provision is overstated by £352k.	Following review of the initial bad debt provision calculation it was decided to create further provision to mitigate some of the risks inherent with the current economic climate. Additional review time will be built into the closure process for the Collection Fund, to ensure all working papers are updated correctly.
An adjustment of £1.3m has been made in the current year to correct a prior year error in relation to the Council's PFI scheme.	The 2007/08 was the first year for the Council to account for the complex PFI transactions, and regular communication with the auditors took place on the approach adopted by the Council. On posting the 2008/09 PFI entries the officers noted that the brought forward balances were incorrect. The accounting treatment for 2009/10 is anticipated to change in order for such financing arrangements to be consistent with International Financial Reporting Standards (IFRS). The Council will again seek the early involvement of the auditors when completing these entries.
We identified assets with a negative book value of £325k.	The asset register is currently held on a spreadsheet and has become more complex over recent years, the result of recent capital accounting amendments. The Council is in the process of procuring a joint property and finance asset register which will automate this process.

PwC Report	Management Action
	An asset register checklist will be produced which tests and ensures that the accounting logic in the register is sound.

6. SUMMARY ACCOUNTS 2008/09

- 6.1. The Statement of Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP). The SORP prescribes the format and as a result the Statement of Accounts are not readily understandable to non-finance people. In order to make the Accounts more useful for the reader, it was decided to produce a summary of the Accounts to supplement the Statement of Accounts which was easy to understand.
- 6.2. During June 2009, the Council undertook a consultation exercise with the citizens of Peterborough through Your Peterborough as to their presentation preferences. The initial results of the consultation were reported to this Committee on 29th June 2009 and there was a mixed response between requests for pictorial representations and text. The consultation exercise is feeding into the refreshment and redesign of the Council's summary accounts.
- 6.3. The Summary accounts therefore, are jargon free and use of mix of styles and will be available on the Council's website.

7. CONSULTATION

The presentation methodology for the summary accounts has been the subject of consultation with key stakeholders.

8. ANTICIPATED OUTCOMES

As set out in the report.

9. REASONS FOR RECOMMENDATIONS

Para 2.2.19 of the Constitution requires the Audit Committee to "review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council."

10. ALTERNATIVE OPTIONS CONSIDERED

The Statement of Accounts have been prepared in accordance with the SORP and hence there are no alternative formats. The Summary Accounts have been prepared following consultation and hence a range of formats were considered.

11. IMPLICATIONS

There are no legal or financial implications of this report.

12. BACKGROUND DOCUMENTS

(Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Council Constitution

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