

AUDIT AND GOVERNANCE COMMITTEE

30 JUNE 2009

STATEMENT OF ACCOUNTS 2008/2009 (SUBJECT TO AUDIT)

Report of the Director of Financial Resources

1. Purpose of the Report

- 1.1 To present the Statement of Accounts for the financial year 2008/2009 to the Committee for approval, subject to audit.

2. Description of Decision

- 2.1 The Committee is recommended to approve the Statement of Accounts for the financial year ended 2008/2009, subject to audit.

3. Background

- 3.1 The Accounts and Audit Regulations 2003 provided for the progressive earlier production of the accounts from 2003/2004 onwards, such that all accounts produced from 2005/2006 onwards would have to be approved by 30th June and audited accounts would have to be approved by 30th September of each year. The phased timetable set out in the Regulations was as follows:

Year	Approval	Publication
2003/2004	31 st August, 2004	30 th November, 2004
2004/2005	31 st July, 2005	31 st October, 2005
2005/2006	30 th June, 2006	30 th September, 2006
2006/2007	30 th June, 2007	30 th September, 2007
2007/2008	30 th June, 2008	30 th September, 2008
2008/2009	30 th June 2009	30 th September 2009

- 3.2 One of the drivers for the earlier closure of accounts was the need to meet central government's Whole of Government Accounts (WGA) requirements, which are intended to enable to publish to proper accounting standards, the whole of government accounts, each year in a timely fashion. The WGA approach is based on UK Generally Accepted Accounting Practices (GAAP) and last year (2006/2007) the government was able to provide a true and fair view of the Government's financial performance for audit for the first time. The aim of WGA is not only to provide increased transparency and accountability to Parliament but also to provide more consistent and better quality financial information to help underpin funding and investment decisions at both local and national levels.
- 3.3 The Council reviewed its arrangements for approving the Statement of Accounts in line with guidance issued by CIPFA and, as a result, in May 2006, established the Audit and Governance Committee. This Committee replaced the Accounts Committee

and the audit committee role previously undertaken by the Policy and Co-ordination Review Committee. The role of the Audit and Governance Committee is therefore not only to approve the Statement of Accounts but to receive reports and reviews on areas such as risk management, the wider internal control environment and to consider both internal and external audit plans and annual reports.

- 3.4 The Accountancy Division of the Financial Resources Department has actively sought to improve the arrangements for producing the accounts year on year by bringing forward the timetable each year. As a consequence, that Accounts have been presented to Committee in August for both 2002/2003 and 2003/2004, July for 2004/2005 and June for 2005/2006 to 2007/2008 and now for 2008/2009.
- 3.5 The Statements of Accounts for all years have been presented to Committee within the required statutory deadlines. Final accounts are reported to this Committee before the end of June, subject to audit, and after audit, including the auditor's opinion by the end of September.

4. Statement of Accounts 2008/2009 - Regulations

- 4.1 The Accounts and Audit Regulations 2003 provide that all adjustments to the Statement of Accounts can only be made with the permission of the external auditor. This was, in practice, the case in the past. When the external audit has been completed and the external auditor feels that highlighting any adjustments would strengthen internal control these will be reported to this Committee.
- 4.2 The Accounts and Audit Regulations 2003 also require the Statement of Accounts to be approved and, in the context of this Council's agreed arrangements, that the Chairman signs the Statement of Accounts on behalf of the Committee.
- 4.3 In addition, the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (England) (Amendment) Regulations 2006 which came into force on 1st April 2006, meant that two further requirements have to be met by those charged with governance. These are in respect of strengthening the system of internal control by introducing a requirement to review the effectiveness of internal audit (reported to this Committee on 22nd May 2009) and also to review the effectiveness of the system of internal control, (covered within a separate report on today's Committee agenda).
- 4.4 The Statement of Accounts is attached as Appendix 1 for Committee approval, but, as indicated, it is still subject to audit.
- 4.5 Appendix 2 shows, for information, the key dates for the Statement of Accounts for 2008/2009 in accordance with the regulations.
- 4.6 The final Statement of Accounts will be published following the conclusion of the audit and will include a signed audit certificate. The audited accounts must be approved before 30th September of each year.

5 Statement of Recommended Practice (SORP) 2008 - Changes

- 5.1 The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice 2008 (SORP) has introduced some further changes to accounting requirements for the 2008/2009 Statement of Accounts, as the local authority accounting requirements continue to converge with the accounting requirements of UK GAAP.

- 5.2 All of the changes in the SORP 2008 will affect the Council's Statement of Accounts. These include:
- Financial Reporting Standard 17 (FRS17) has been amended to align its disclosure requirements more closely with the requirements of International Accounting Standard 19 (IAS19) Employee Benefits. There are significant changes to the disclosure requirements as well as a change to the basis on which the value of quoted securities are measured, these changes are fully reflected in the Statement of Accounts for both 2007/2008 and 2008/2009.
 - From 1st April 2008 Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant. Whereas LAA Grant was restricted to support the achievement of LAA targets, ABG is a non-ring-fenced general grant provided by the Government which allows Council's full control over how this funding is used. Details of general grants, which Councils can determine how to spend, is now included as an additional note to the core financial statements and will include the amount of ABG allocated to the Council.
 - The Cash Flow Statement can now be constructed using the 'indirect method' whereby the net revenue cash flow from operating activities for the financial year is derived by means of a reconciliation from the surplus / deficit on the Income and Expenditure Account for the year. Previously the 'direct method' was used where major gross cash receipts and payments had to be disclosed in total in order to calculate the net revenue cash flow from operating activities for the financial year. The Council has adopted the indirect method to present its Cash Flow Statement.
 - The Application of Accounting Standards has been updated for changes in Accounting Standards, Financial Reporting Standards (FRS's) and Urgent Issues Task Force (UITF) Abstracts up to 30th September 2007. These changes have been incorporated into the SORP2008.
- 5.3 A further requirement for the Statement of Accounts 2008/2009 is to replace the Statement on Internal Control (SIC), also known as the Annual Governance Statement, which was previously prepared and included within the Statement of Accounts in accordance with Regulation 4(2) of the Accounts and Audit Regulations 2003, with a Statement Reporting Reviews of Internal Control and Internal Financial Controls. This new statement has been prepared in accordance with CIPFA / SOLACE's new Framework and associated guidance on corporate governance 'Delivering Good Governance in Local Government' and now includes the summary of the Authority's annual review of the effectiveness of its systems of internal control required by the regulations.
- 5.4 The Statement of Accounts (Subject to Audit) and Accounting Policies of the Council for 2008/2009 fully comply with the Statement of Recommended Practice 2008, with any departures from the SORP being fully documented, including reasons for the departure, where appropriate, and are included within the Accounting Policies section of the Statement of Accounts.

6. Statement of Accounts 2008/2009 - Main Financial Issues

- 6.1 The main financial issues arising from the Statement of Accounts (Subject to Audit) 2008/2009 are included in the Director of Financial Resources' Foreword to the Statement of Accounts. The points set out in the Foreword represent the main financial matters that members' attention needs to be drawn to, that are included in the financial statements for 2008/2009.

Background Papers

Statement of Accounts 2007/2008

Statement of Accounts 2008/2009 (Subject to Audit)

Statement of Recommended Practice (SORP) 2008

Code of Practice on local authority accounting in the United Kingdom – 2008/2009

Accounts and Audit Regulations 2003

Accounts and Audit (Amendment) (England) Regulations 2006

Timetable for the Audit of the Statement of Accounts for 2008/2009

Statement of Accounts (Subject to Audit) - Approved 30th June 2009

Notice of Audit of Accounts - Advert to be placed in newspaper ('The Sunderland Echo') - 13th July 2009

Public Inspection Period (20 working days) - 27th July to 21st August 2009

Date for Exercise of Public Right to Inspect the Accounts - 24th August 2009

Audited Statement of Accounts - Approved on or before 30th September 2009