

Audit and Governance Committee

30th June 2008

Statement of Accounts 2007/2008 (Subject to Audit)

Report of the City Treasurer

1. Purpose of the Report;

- 1.1 To present the Statement of Accounts for the financial year 2007/2008 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 2007/2008, subject to audit.

3. Background

- 3.1 Members may recall at last years meeting the background to publishing the Council's Statement of Accounts, which before 2003/2004 had to be approved by 30th September and published audited accounts had to approved by 31st December of each year.

From 2003/2004, the Accounts and Audit Regulations 2003 were introduced which provided for the progressive earlier production of the accounts in each of the next three years 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 is set out below for information:

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

- 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. WGA 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 receiving 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 City Treasurer's Department has actively sought to improve year on year by bringing forward the timetable for closure of the accounts over the last five financial years with the Accounts being presented to Committee in August for both 2002/2003 and 2003/2004, July for 2004/2005 and June for 2005/2006, 2006/2007 and now 2007/2008.
- 3.5 All Statements of Accounts 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 2007/2008 - Regulations

- 4.1 The Accounts and Audit Regulations 2003 provided that all adjustments to the Statement of Accounts could 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 approval of the Statement of Accounts by this Committee and 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 23rd May 2008) 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 for Committee approval but as indicated it is still subject to audit.
- 4.5 Appendix 1 shows, for information, the key dates for the Statement of Accounts for 2007/2008 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) 2007 - Changes

- 5.1 The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice 2007 (SORP) has introduced some major changes to accounting requirements for the 2007/2008 Statement of Accounts, as the local authority accounting requirements continue to converge with the accounting requirements of UK GAAP. These include:

5.2 Changes that will affect the Council's Statement of Accounts

- Local Authorities are to adopt Financial Reporting Standards, FRS 25, FRS26 and FRS29, which replace the previous accounting standards FRS4 and FRS5, dealing with the major changes in the accounting treatment of financial instruments covering areas such as soft loans, borrowing, financial guarantees and investments and is one of the most significant change in the SORP 2007. These changes also require the previous years accounts to be restated, the details of which are shown in Note 1 to the Statement of Accounts;
- The replacement of the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA) by a Revaluation Reserve and Capital Adjustment Account. This change was trailed in the SORP2006 and also requires a prior year adjustment with the creation of a Revaluation Reserve with an opening balance set to Zero. This means that the FARA and CFA balances are transferred to the newly created Capital Adjustment Account as a prior year adjustment – these changes are also included in Note 1 to the Statement of Accounts;
- New guidance has been included for accounting for Local Area Agreement Grant;
- Additional disclosures are required in respect of charitable trusts consolidated into Group accounts;
- The SORP has also clarified which bodies are governed by it;
- 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 2006. These changes have been incorporated into the SORP2007.

5.3 Changes that will not affect the Council's Statement of Accounts but are included for information

- Firefighters Pension Scheme accounting and funding arrangements adopted in England from 1st April 2006 will apply to all Fire and Rescue Service Authorities in Wales from 2007/2008;
- The Business Improvement Districts Schemes (BIDs) guidance has been amended to include schemes operating in Scotland and Wales;
- The Landfill Allowance Trading Schemes (LATS) has been amended to include the accounting requirements for schemes operating in Northern Ireland.

5.4 A further requirement for the Statement of Accounts 2007/2008 is to replace the Statement on Internal Control (SIC) 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 an Annual Governance Statement. 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 instead.

- 5.5 The Statement of Accounts (Subject to Audit) and Accounting Policies of the Council for 2007/2008 fully comply with the Statement of Recommended Practice 2007, with any departures from the SORP being fully documented, including reasons for the departure, where appropriate which are included within the Accounting Policies section of the Statement of Accounts.

6. Statement of Accounts 2007/2008 - Main Financial Issues

- 6.1 The main financial issues arising from the Statement of Accounts (Subject to Audit) 2007/2008 are attached in Appendix 2 for information. The points listed represent the main financial matters that members attention needs to be drawn to that are included in the financial statements for 2007/2008.

Background Papers

Statement of Accounts 2006/2007

Statement of Accounts 2007/2008 (Subject to Audit)

Statement of Recommended Practice (SORP) 2007

Code of Practice on local authority accounting in the United Kingdom – 2007/2008

Accounts and Audit Regulations 2003

Accounts and Audit (Amendment) (England) Regulations 2006

Timetable for the Audit of the Statement of Accounts for 2007/2008

Statement of Accounts (Subject to Audit) - Approved 30th June 2008

Notice of Audit of Accounts - Advert to be placed in newspaper ('The Sunderland Echo') - 17th July 2008

Public Inspection Period (20 working days) - 1st August to 31st August 2008

Date for Exercise of Public Right to Inspect the Accounts - 1st September 2008

Audited Statement of Accounts - Approved before 30th September 2008

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