
AUDIT OF ACCOUNTS 2004-05

**Responsible Cabinet Member(s) - Councillor Don Bristow,
Resource Management Portfolio**

Responsible Director(s) - Paul Wildsmith, Director of Corporate Services

Purpose of Report

1. The Council's Auditors (PricewaterhouseCoopers) are required by Statement of Audit Standards number 610 (SAS610) to report to Members issues raised by the Audit of the Council's 2004-05 accounts, which officers decide not to adjust in the accounts. This is a relatively recent requirement, which applied for the first time to 2003-04 accounts. Their report is attached at **Appendix 1**.

Information and Analysis

2. Members are specifically asked to consider items that are classified as misstatements, which are not adjusted in the accounts. None of these items are material in the context of the Statements of Accounts as a whole. Explanations of the Director of Corporate Services' intention not to adjust for those items are given below.

Item	Explanation	Reason for not adjusting
Reversal of provision for legal and other costs associated with the single status issue. The provision is general in nature and is not allowable under FRS 12. £116,000	Provision of £4M was made during 2003-04 and 2004-05 in the revenue account for single status costs. It is now expected that up to £3.8M will be capitalised. Of the £0.2M that relates to legal costs, £84,000 was expended in 2004-05. The balance of £116,000 has been carried forward to 2005-06 as a provision. There is a technical accounting distinction between provisions and reserves; the £116,000 is technically a reserve.	There is no practical implication to the Council and the amount involved is not material in the context of the Statement of Accounts.
Write out of historic creditors raised in error or which will not be settled. £18,735	These are provisional amounts included in previous years accounts, which are no longer required. They have been written back to revenue accounts in 2005-06.	The amount is not material.

Item	Explanation	Reason for not adjusting
Representing an error in the calculation of interest on notional cash balances in the HRA £7,834	Budgeted income was used, rather than actual. The process will be reviewed for 2005-06 accounts.	The amount is not material.
Representing an over accrual for early retirement costs. £13,395	The cost of an early retirement agreed during 2004-05 but not paid until 2005-06 was over-stated. This did not affect the amount actually paid, which was correct	The amount is not material.
Representing an over accrual for contributions for Travellers' education and education for ethnic minorities. £18,379	An estimate was made of payments due at 31st March 2005. The actual amounts due were not known until the accounts were closed.	The amount is not material.

3. There are no control issues nor any matters relating to auditing standards or other matters that PwC wish to draw to Cabinet's attention.
4. Local authorities' external financial reporting has gained increasing prominence in recent years and features strongly in the current CPA Use of Resources assessment. The attached report comments on the good standard of working papers and the commendation of finance staff for the early closure and preparation of 2004-05 accounts is particularly pleasing.

Outcome of Consultation

5. No consultation was conducted in producing this report.

Legal Implications

6. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

7. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those

functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

8. The issues contained within this report do not represent change to Council policy or the Council's policy framework

Decision Deadline

9. For the purpose of the 'call-in' procedure this does not represent an urgent matter

Conclusion

10. The issues contained in the Auditor's SAS610 report do not affect the Council's financial standing and do not materially affect the Statement of Accounts that was approved by Council on 21st July 2005.

Recommendation

11. It is recommended that :-
 - (a) The report of the Auditors on the Council's 2004-05 accounts is noted;
 - (b) The accounts be not adjusted

Reasons

12. The recommendations are supported to comply with statutory accounting requirements:-

Paul Wildsmith
Director of Corporate Services

Background Papers

No Background papers were used in the preparation of this report.

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