
AUDIT OF ACCOUNTS 2005-06

Purpose of Report

1. This report provides information on the outcome of the audit of the Council's 2005/06 accounts and seeks approval to conclude the accounts based on officers recommendations, with regard to issues arising from the audit.

Information and Analysis

2. Council approved the Council's draft Statement of Accounts for 2005/06 in June 2006. In accordance with statutory requirements the Council's external auditors, PricewaterhouseCoopers (PwC), have subsequently audited the accounts. The auditors are required by the Audit Commission's Code of Audit Practice and International Standard of Auditing number 260 (ISA260) to report to Members issues arising from the accounts audit. PWC's report is attached at **Appendix 1**.
3. The auditors' ISA260 report covers their audit of the Council's 2005/06 financial statements and a new requirement in respect of Use of Resources.
4. Members are specifically required to consider items that are classified as misstatements that officers propose not to adjust in the accounts. Officers have discussed the misstatements in the attached PwC report and consider that none of these items are material in the context of the Statement of Accounts as a whole. The reasons for proposing to not adjust the accounts are set out in Table 1: -

Table 1

| Item | Reason for not adjusting |
|---|--|
| Bad Debt Provision – over provision of £235,000 | DBC have agreed to review the provision in the 2006/07 accounts. |
| Landfill Allowance Trading Scheme (LATS) – actual usage differs to estimated usage £7,000 | DBC deem the adjustment not material in relation to the Accounts |
| Lender Option Borrower Option (LOBO's) – understatement of provision by £33,000 | DBC is to review the provision in 2006/07 and will release the provision in full, as it is no longer required. |
| Deferred Capital Receipts Reserve – unexplained reserve held of £30,000 | DBC will review this reserve in 2006/07 with a view to releasing it. |
| HRA interest on notional cash | DBC deem the adjustment not material |

| | |
|---|--|
| balances £3,000 | in relation to the Accounts |
| HRA Rent Rebate Subsidy Limitation - £4,000 | DBC deem the adjustment not material in relation to the Accounts |
| Income In Advance - £23,000 | DBC deem the adjustment not material in relation to the Accounts |
| Income In Advance - £80,000 | DBC deem the adjustment not material in relation to the Accounts |

5. A formal objection to the accounts has been sent to the Auditors and copied to the Council, in accordance with the provisions of the Accounts and Audit Regulations 2006. The objection relates to items of expenditure included in the Hackney Carriages Account. The Council is not permitted to make a surplus on this account. The account incurred a deficit of £13,000 in 2005/06, but it is contended by the objector that some expenditure has been incorrectly charged to this account. Officers have provided information to the Auditor and PwC are currently considering the objection. The objection is not considered to be so significant as to prevent an unqualified Audit report on the accounts. Formal closure of the Audit cannot, however, be made until PwC reach a conclusion on the objection.
6. The Auditors are satisfied that the issues raised by the audit that require reporting to Members are included in this report and that the duty to do so is complied with. Subject to Members' decisions resulting from consideration of this report, PwC anticipate issuing an unqualified opinion by 30th September 2006 and an unqualified use of resources conclusion.

Legal Implications

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

Section 17

8. 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.

Conclusion

9. The issues contained in the Auditor's ISA260 report do not materially affect the Council's financial standing or the Statement of Accounts that was approved by Council on 26th June 2006.

Recommendation

10. It is recommended that: -

- (a). The Auditor's ISA260 report on the Council's 2005-06 financial statements and use of resources be noted.
- (b). The accounts be not adjusted in respect of the items listed in table 1 of the report.

Reason

11. The recommendations are supported to conclude the 2005/06 accounts audit in accordance with the requirements of ISA260.

Paul Wildsmith
Director of Corporate Services

David Hall: Extension 2303
TAB