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**AUDIT OF ACCOUNTS 2008-09**

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**SUMMARY REPORT**

**Purpose of Report**

1. This report provides information on the outcome of the audit of the Council's 2008-09 Accounts and 'Use of Resources'. Approval is sought to conclude the accounts based on officers recommendations, with regard to issues arising from the audit.

**Summary**

2. Audit Committee approved the Council's draft Statement of Accounts for 2008-09 in June 2009. 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 (ISA 260) to report to Members issues arising from the accounts audit. PwC's report is attached at Annex 1.
3. The auditors' ISA 260 report covers their audit of the Council's 2008-09 financial statements and work they have undertaken on 'Use of Resources' under the Code of Audit Practice.

**Recommendation**

4. It is recommended that:-
  - a) The Auditor's ISA 260 report on the Council's 2008-09 financial statements be noted;
  - b) The accounts be not adjusted in respect of the items listed in table 1 of the report.

**Reasons**

5. The recommendation is supported as it comprises part of the Council's corporate governance arrangements

**Paul Wildsmith  
Director of Corporate Services**

**Background Papers**

- (i) Council's accounts 2008-09
- (ii) PwC ISA 260

Peter Carrick : Extension 2326

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Sustainability	There is no specific sustainability impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond the report comprising part of the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

## MAIN REPORT

6. Members are specifically required to consider items that are classified as misstatements, which 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 individually, or collectively, in the context of the Statement of accounts as a whole. The items which officers are proposing to not adjust are set out in Table 1:-

Table 1

Item	Amount £000
<b>General Fund</b>	
Overstatement of Debtors	+32
Expenditure in wrong year – should be prepayment	-8
Expenditure in wrong year – should be prepayment	-2
Accumulated Depreciation	+11
<b>Net effect – General Fund</b>	<b>+33</b>

7. The effect of not adjusting these items is that the Council's reserves as at 31 March 2009 are £33,000 lower than has been reported in the accounts. This is not material in the context of the Council's annual turnover of over £280M or its available reserves of £9.6M.
8. There is also another unadjusted misstatement of £64,000 for equal pay but this has no effect on the revenue reserves as there would be an opposite entry to the Equal Pay Back Pay Account that would neutralise this as far as reserves are concerned until the liability is realised.
9. There are a small number of adjusted misstatements in Appendix C of the ISA260 that total £4.5M that have been identified in the audit and corrected by management. Although the magnitude appears to be significant it has no effect on the bottom line of the accounts as it is an under and over statement of income and expenditure with no change in the net position.
10. As part of the audit it was noted that an estimated figure had been used in the FRS17 Pension costs supplied by the Actuary for the Council. New figures with actual figures were requested from the Actuary and subsequently the amounts used for the 'liability related to defined benefit pension scheme' have altered by £2.270M. This has now been reflected in the balance sheet of the Council's accounts with the effect being that the overall pension liability has reduced by £2.270M.
11. 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 30 September 2009.

12. The Use of Resources opinion is the first under the new more rigorous Use of Resources framework that forms part of the Comprehensive Area Assessment (CAA). The outcome from the assessment is positive. Overall the Council scored a level 3 (out of a maximum of 4) i.e. performing well – exceeds minimum requirements.

### **Outcome of Consultation**

13. The content of this report was not subject to consultation.