
AUDIT OF ACCOUNTS 2009-10

SUMMARY REPORT

Purpose of Report

1. This report provides information on the outcome of the audit of the Council's 2009-10 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 2009-10 in June 2010. 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 2009-10 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 2009-10 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 2009-10
- (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
<i>General Fund</i>	
Overstatement of Debtors	+15
Overstatement of capital assets	+78
Understatement of capital assets	-12
Overstatement of reserves due to Redundancy Provision	+206
Net effect – General Fund	+287

7. The overstatement of reserves of £206k is due to the fact that the Council has not included in its accounts a provision for redundancy costs that were identified in the 2010 to 2014 Medium Term Financial Plan. The staff affected that would have been included in the provision have either left or will shortly be leaving the Council as part of the efficiency agenda and therefore the provision is not deemed necessary.
8. The overstatement of capital assets occurred due to the Council acting as a third party and passporting a grant of £922k from the Department of Children, Schools and Families (DCSF) to St Aidan’s Academy for ICT infrastructure and equipment. £78k of this was subsequently identified as non-capital but it had already been capitalised by the Council as it still maintains an interest in the Academy’s land and buildings and therefore includes it in its asset register.
9. The effect of not adjusting these items is that the Council’s reserves as at 31 March 2010 are £287,000 higher 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 £12.890M.
10. There are a small number of adjusted misstatements in Appendix C of the ISA260 that total £2.070M 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.
11. In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

The Actuary has calculated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by approx £30M. It is anticipated that this change will be accounted for in the accounting period ending 31 March 2011.

12. 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 2010.
13. The Use of Resources opinion has been abolished by the Audit Commission and the auditors are now only required to provide an opinion on Value for Money. The intention is for them to issue an unqualified value for money conclusion.

Outcome of Consultation

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