



Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 30th September 2009

Subject: Audited Statement of Accounts and the Use of Resources Assessment 2008/09

Electoral Wards Affected:

Specific Implications For:

Ethnic minorities

Women

Disabled people

Narrowing the Gap

1.0 Executive Summary

- 1.1 The Accounts and Audit Regulations 2006 require the annual audited accounts to be published by the 30th September.

Members are asked to receive the report of the external auditors, attached at Appendix 1, and note any agreed amendments to the accounts. The Chair is also asked to sign the letter of management representation on behalf of the Corporate Governance and Audit Committee, attached at Appendix 2.

2.0 Purpose Of This Report

- 2.1. Under this Committees terms of reference, members are required to approve the Council's Statement of Accounts and consider any material amendments recommended by the auditors. The Committee approved the Council's 2008/09 Statement of Accounts on the 30th June 2009 subject to external audit. The Council's external auditors have now reported on the 2008/09 accounts and their report is attached. The report informs members as to amendments to the approved accounts which have been agreed with the Council's external auditors.

3.0 Background Information

- 3.1 The Accounts and Audit Regulations 2006 require that the Council's statutory finance officer, the Director of Resources, report any material amendments to the accounts to the Committee or sub committee of the Council which originally approved them.

4.0 Main Issues

4.1 Use of Resources (UoR)

4.1.1 KPMG are required to report to those charged with governance any governance issues identified when discharging their statutory audit responsibilities. They have therefore always included in their report the Council's latest UoR score. For 2008/09 the timeframe for completing the new Use of Resources test allows the audit report to include the latest results rather than those from the previous year.

4.1.2 For 2008/09 the Council achieved an overall level 3 for UoR which means that the Council is performing well. The detailed results and audit recommendations for areas of improvement are contained within the attached Audit report.

4.2 Audit Differences.

4.2.1 On conclusion of the audit, KPMG identified two areas of audit difference which required amendment. The first was the accounting treatment of a number of the Council's assets (see 4.1.2 below) and the second was in respect of the reported financial position of the Housing Revenue Account (see 4.1.3 below). Both issues have now been amended in the final accounts.

4.2.2 The Council spent £275m on improving and extending the useful life of its fixed assets in 2008/09. Where such expenditure does not lead to an increase in the assets value it is charged to the Income and Expenditure account (I&E a/c) and then reversed out under statute to the Capital Adjustment Account on the Balance Sheet. If however the asset is revalued in year, then accounting practice requires such expenditure to be charged directly to the Revaluation Reserve on the Balance Sheet. As the assets identified in the audit report had been revalued in year then the related expenditure should have been correctly charged to the Revaluation Reserve not the Capital Adjustment Account (by way of the I&E a/c). The required correction has no overall impact on the Council's financial position and results in a classification change on the Balance Sheet.

4.2.3 The Housing Revenue Account has been amended to reflect the recovery of £2.25m from Aire Valley Homes Ltd. The ALMO is required to make this payment in order to fund the overspend which occurred on the Housing capital programme.

4.3 Post Balance Sheet Events

4.2.1 The report on the Statement Of Accounts, presented to members of this Committee on the 30th June, highlighted significant changes to accounting practice for 2008/09. The main change was that any significant post balance sheet event, up until the audit is completed, should be adjusted in the accounts. A review of the Council's accounts since they were approved by this Committee, has identified a number of insurance claims where claims have been settled or further circumstances have come to light which require the insurance provision to be amend. The result of these post balance sheet events is to increase the insurance provision by £469k, resulting in a corresponding reduction in the Council's available General reserves.

4.4 Audit recommendations.

4.4.1 The audit report identifies one issue within the accounts which KPMG have identified as needing specific action in 2009/10. Namely, the need for a robust plan to remedy the deficit position on the Building Regulation charges account. The audit report includes a management response and timescales for implementing this recommendation. The audit report also informs members of the completion of both audit recommendations made in

respect of the 2007/08 accounts and the progress in improving the frequency of school bank account reconciliations, an issue raised during the 2006/07 audit.

4.5 Management Representation letter

4.5.1 The auditors are required by the Audit Commission's Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. Attached as Appendix 1 to this report is the management representation letter designed to give audit such assurances in respect of the 2008/09 accounts. After consultation with appropriate officers, the Director of Resources has signed to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter. The Committee is asked to consider whether members are aware of any issues they want to bring to the auditors attention in respect of the matters addressed in the letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

5.0 Implications For Council Policy And Governance

5.1 The Statement of Accounts and related audit reports are published on the internet as well as being available on Compact Disc and in hard copy format. In addition a less technical summarised set of accounts is also available on the internet. All these formats encourage stakeholder comments and views.

5.2 As required by the Accounts and Audit Regulations 2006, the accounts were made available for public inspection for twenty working days. Although a number of objections were raised on the accounts this year, none were upheld by KPMG to the extent that they would require the accounts to be amended.

5.3 The audit recommendations in respect of the Use of resources assessment will be built in to the action plan for improving the Comprehensive Area Assessment score.

6.0 Legal And Resource Implications

6.1 The Accounts and Audit Regulations 2006 require the audited Statement of Accounts to be published before the 30th September. This is a factual report of the Director of Resources on the financial accounts of the Council for 2008/09. There are no additional legal or financial implications.

7.0 Recommendations

7.1 Members are asked to receive the report of the Council's external auditors on the 2008/09 accounts and to note the amendment made to the Accounts.

7.2 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.

Background Documents

- Report to Corporate Governance and Audit Committee ' Statement of Accounts 2008/09' - 30th June 2009
- The Accounts and Audit Regulations 2006
- Leeds City Council Accounts 2008/09