

Special Audit Committee – 28 June 2007

Statement of Accounts 2006/07: Pre-Audit

Summary of report

This report presents the Statement of Accounts, subject to external audit, for the financial year 2006/07 in accordance with the Accounts & Audit Regulations 2003, as amended 2006.

Recommendations

1. Endorse the statement of accounting policies set out in the Statement of Accounts.
2. Approve the pre-audit Statement of Accounts attached at **Appendix 1** in order that they may be placed on deposit for public inspection for 20 working days commencing 25.07.07.
3. Note that the Statement of Accounts will be submitted for external audit on 29.06.07, following approval by Audit Committee.



Carole Evans – Executive Director (CFO)

19 June 2007

Governance

Councils must produce annual accounts in line with the Accounts and Audit Regulations 2003, as amended 2006 and in a timely fashion on an annual basis.

As at 31.03.07 the draft statement of accounts shows aggregate general fund services, (including earmarked reserves) to have an overall surplus of £0.002m against a budget of £203.979m. Council in March 2006 approved the use of £0.355m of general reserves in the 2006/07 budget to fund one-off prudent items, so the actual outturn is £0.357m better than budgeted for. The overall effect results in net general reserves of £5.262m as at 31.03.07, in line with the medium term financial strategy. These figures are subject to external audit, and may require routine adjustments. The audit of the Authority's accounts commences on 02.07.07 and is expected to be completed by 31.08.07.

Under s10 of the Accounts and Audit Regulations 2003 as amended 2006, a draft statement of accounts must be approved by a resolution of a committee of the Council prior to the document being placed on deposit for public inspection and has to be signed and dated by the person presiding at the committee giving the approval.

Under s16 of the Audit Commission Act 1998 the Authority's external auditor will be available for one day from 9.00 am on 22.08.07 for any local government elector or their representative to question him about the accounts or make any objections. The statement of accounts will therefore be available for inspection for the period 25.07.07

to 21.08.07 inclusive. A public notice to this effect will shortly be placed in the local newspapers.

CONTENTS OF THE STATEMENT

1.1 The Explanatory Foreword

This explains the most significant matters reported in the accounts. It provides an overview of the statement and comments on any major influences on the council's income, expenditure and cashflow. An explanation of the contents of the document is included, describing their purpose and relationship between the various sections. Total expenditure and income is also summarised and compared with budget.

1.2 The Statement of Responsibilities

This section describes the councils' responsibilities for the statement under local government legislation and other requirements. It also outlines the Chief Financial Officer's legal and professional responsibility for the accounts.

1.3 The Statement on the System of Internal Control

The Accounts and Audit Regulations 2003, amended 2006, require the Council to publish a statement formally acknowledging that it has maintained effective internal control during the course of the financial year. The statement should include financial management, arrangements for the management of risk, and include its corporate governance arrangements. In addition, the authority must conduct an annual review of the effectiveness of its system of internal control, including the system of internal audit.

1.4 The Financial Statements

This section details the main accounts the council maintains as follows:

1.4.1 The Income and Expenditure Account (page 21)

This shows the detail of the Authority's revenue costs for 2006/07 compared with 2005/06. The summary income and expenditure account is displayed under four separate sections: net cost of services; net operating expenditure; amounts to be met by Government and local taxpayers and the net surplus or deficit for the year.

The total net expenditure for services prior to statutory adjustments are shown on the income and expenditure accounts. This shows that there was a surplus of £1.411 million for 2006/07. After statutory adjustments are applied the council shows an overall surplus for the general fund of £0.002 million for the year, giving overall general fund balances of £5.262.

1.4.2 Statement of Movement on the General Fund Balance (SMGFB) (page 22)

The income and expenditure account shows the council's actual financial performance for the year. The authority is required to raise council tax on a

different accounting basis. As such this reconciliation statement summarises the differences between the outturn on the income and expenditure account and the general fund balance.

1.4.3 The Balance Sheet (page 24)

This shows the council's assets and liabilities and other balances as at 31.3.07. These figures include all the authority's activities except the pension fund, trust funds and similar funds administered for third parties. A series of notes to the balance sheet explain capital expenditure and disposals, leasing and capital financing.

1.4.4 Statement of Total Recognised Gains and Losses (page 26)

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the costs of retirement benefits.

1.4.5 The Cashflow Statement (page 27)

This shows the movement of cash into and out of the Authority throughout the year.

1.5 The Collection Fund (page 59)

This statement summarises the council's transactions relating to council tax, community charge/poll tax; national non-domestic rates and precepts.

1.6 Other Financial Accounts - Trusts and Scholarships (page 60)

This relates to gifts and bequests made to and held or administered by the authority. These are accounted for separately from the council's income and expenditure account and balance sheet.

1.7 The Statement of Accounting Policies

This lists all significant accounting policies including that the accounts have been prepared according to CIPFA's Code of Practice and relevant Statements of Recommended Practice (SORPs).

1.8 Glossary of Terms

This section provides explanations of the terms used throughout the statement of accounts.

Resource and legal considerations

The preparation of annual accounts and allied audit issues comprises a major aspect of the finance service plan each year and is budgeted for, as is the respective external audit fee.

Performance management and risk management issues

The 2006/07 outturn provides a sound, stable financial foundation to effect service delivery and continue to drive service improvement. As part of the council's performance management system managers are set many targets, one of which is to deliver their service targets within the cash limited budget. This has been demonstrated overall in 2006/07, although some services did overspend.

Equality implications

Improving ease of understanding of the accounts is intended to make the annual statement of accounts more readily accessible to the general public. The accounts will be available, on request in different formats, for example, hard copy, soft copy via the web site, Braille, and in different languages.

Consultation

The report is prepared in consultation with various managers and executive directors.

Background papers

Various financial working papers, statutory and other guidance.

Author

Vicky Buckley, Head of Corporate & Strategic Finance

☎ 01922 652349

✉ buckleyv@walsall.gov.uk