



Item No.

NORTHAMPTON
BOROUGH COUNCIL

COUNCIL REPORT

Report Title	STATEMENT OF ACCOUNTS 2006/07
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AGENDA STATUS: PUBLIC

Meeting Date:	27 th September 2007
Key Decision:	No
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren
Ward(s)	Not Applicable

1. Purpose

1.1	To note the external audit report by KPMG on the 2006/07 financial statements and use of resources.
1.2	To receive an update from the Audit Committee meeting of 24 th September, on the 2006/07 Statement of Internal Control and the Statement of Accounts. Paragraph 3.2.10 details the main areas discussed. Following this meeting, the Cabinet met on the 25 th September and recommended the accounts to Council for approval.

2. Recommendations

- 2.1 That the KPMG unqualified opinion of the 2006/07 accounts be noted.
- 2.2 That Council approve the 2006/07 Statement of Internal Control.
- 2.3 That Council approve the 2006/07 Statement of Accounts.
- 2.4 That the Director of Finance be authorised to make non material adjustments post Council approval, in consultation with the Portfolio Member for Finance.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council approved the draft 2006/07 Statement of Internal Control and Statement of Accounts at its meeting on 28th June 2007.
- 3.1.2 KPMG, our external auditors, have now audited the accounts and have presented their ISA 260 report. This is a report that is presented to those charged with Governance and is therefore reported to the Council.
- 3.1.3 The Audit Committee received the external auditors report and the Finance Section's report on the 2006/07 Statement of Accounts at their meeting on 24th September. The Cabinet subsequently received their report on the 25th September.
- 3.1.4 This report addresses the items raised in the external auditors report and also summarises the updates made to the Statement of Internal Control and the Statement of Accounts since the June 2007 approval.
- 3.1.5 KPMG is required to give an opinion on whether the Council's financial statements present fairly the position of the Council as at 31st March 2007 and its income and expenditure for the year then ended.
- 3.1.6 The accounts have been completed on time for both the June 2007 approval of the draft accounts and for the post audited accounts in September 2007. This is in accordance with the Accounts and Audit Regulations.

3.2 Issues

3.2.1 The Accounts and Statement of Internal Control

3.2.2 The Statement of Internal Control and the Accounts have been updated and this is summarised on page 8 of the KPMG report and noted below. There have not been any material adjustments.

3.2.3 Changes to Prime Financial Statements – There have been a number of balance sheet adjustments. These concerned the accounting treatment for late cash and netting off debtor and creditor balances for Benefits.

3.2.4 Changes to the Notes/Presentational Adjustments – There are a number of presentational changes, which have been agreed. These mainly relate to compliance with the Statement of Recommended Practice. This is the Chartered Institute of Public Finance's (CIPFA) guide to accounts presentation.

3.2.5 Statement of Internal Control (SIC)– An amended version of the SIC is included as part of the statement of accounts. This is more in line with KPMG's knowledge of the authority and only minor amendments have been made.

3.2.6 The changes to the main statements are detailed in Appendix 1. This appendix shows the figures as presented in June 2007, the changes made and the final figures now included in the represented statement of accounts. The changes are as follows:

- **The Income and Expenditure Account.** Appendix 1 page 1 shows the change to this account. There is a correction of a mis-posting of £390k where interest receivable had been incorrectly credited to interest payable.
- **The Statement of Total Recognised Gains and Losses.** Appendix 1 page 2 shows the update in respect of the valuation correction to assets. This is detailed on the Balance Sheet updates.
- **The Balance Sheet.** Appendix 1 page 3 shows the updates to the Balance Sheet. The updates are between debtors and creditors of £1.007m and do not have an overall impact. The £10.6m update is due to the revaluation of assets as noted above.
- **The Cash Flow** – Appendix 1 page 4. Updates have been made to the Cash Flow statement to correct the categorisation disclosure. There is also no overall impact.

3.2.7 In summary the changes are not material, mainly with movements between categorisations in the accounts, for example between debtors and creditors. There were only four corrected items following the audit of the accounts. The General Fund un-earmarked reserves balance remains at £2.9m, as reported in June 2007.

3.2.8 At the Audit Committee meeting of 24th September, the committee discussed the accounts and KPMG report. No further amendments are due to be made to the accounts as a result of this meeting. Further information has been requested by the committee on:

- The external audit fee for audit of the accounts has increased by £30k to £150k, a breakdown on these additional expenses has been requested.
- An analysis was requested from officers of the debts of the authority and the bad debt provisions set aside for these.
- An update from KPMG before the Council meeting of the 27th September regarding the Use of Resources score. The 2005/06 conclusion is being used for the 2006/07 score when the information submitted for 2006/07 has yet to be reviewed.

3.2.9 KPMG have now discussed the Use of Resources opinion with the Audit Commission and have now excluded this from their report

3.2.10 Other Areas for Information

3.2.11 The revised main accounts are attached at Appendix 1, showing the June position, adjustment and final position.

3.2.12 There are a number of accounts performance improvement observations that have been raised in the KPMG ISA 260 report and comments have been noted as a management response as part of the report. We will look to address these during 2007/08.

3.3 Choices (options)

3.3.1 Not applicable

4. Implications (including Financial Implications)

4.1 Policy

4.1.1 Not applicable

4.2 Resources and Risk

4.2.1 Not applicable

4.3 Legal

4.2.2 The accounts need to be approved by the end of September 2007, in line with the requirements of the Accounts and Audit Regulations 2003.

4.4 Equality

4.4.1 Not applicable

4.5 Consultees (Internal and External)

4.5.1 Stakeholders have been contacted as necessary, including an advertisement in the local paper that the accounts are open for audit and question.

4.6 How Proposals deliver Priority Outcomes

4.6.1 Not applicable

4.7 Other Implications

4.7.1 The timeliness of the approval of the accounts forms part of the Comprehensive Performance Assessment (CPA) Use of Resources assessment.

5. Background Papers

5.1 Council Reports – 28th June 2007, the draft 2006/07 Statement of Accounts report to Council. Audit Committee report 24th September 2007. KPMG external audit report (ISA 260). Cabinet report 25th September.

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