



Corporate Governance Committee

You are requested to attend a meeting of the Corporate Governance Committee to be held in Committee Room 1, The Deane House, Belvedere Road, Taunton on 30 September 2008 at 17:15.

Agenda

- 1 Apologies
- 2 Minutes of the meeting of the Corporate Governance Committee held on 15 September 2008 (attached)
- 3 Public Question Time
- 4 Declaration of Interests. To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct
- 5 Annual Governance Report. Report of the Audit Manager, Audit Commission (attached)
- 6 Statement of Accounts 2007/2008 - Conclusion of Audit. Report of the Financial Services Manager (attached)

Tonya Meers
Legal and Democratic Services Manager

05 January 2010

Members of the public are welcome to attend the meeting and listen to the discussions.

There is time set aside at the beginning of most meetings to allow the public to ask questions.

Speaking under “Public Question Time” is limited to 4 minutes per person in an overall period of 15 minutes. The Committee Administrator will keep a close watch on the time and the Chairman will be responsible for ensuring the time permitted does not overrun. The speaker will be allowed to address the Committee once only and will not be allowed to participate further in any debate.

If a member of the public wishes to address the Committee on any matter appearing on the agenda, the Chairman will normally permit this to occur when that item is reached and before the Councillors begin to debate the item.

This is more usual at meetings of the Council’s Planning Committee and details of the “rules” which apply at these meetings can be found in the leaflet “Having Your Say on Planning Applications”. A copy can be obtained free of charge from the Planning Reception Desk at The Deane House or by contacting the telephone number or e-mail address below.

If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room.

Full Council, Executive, Committees and Task and Finish Review agendas, reports and minutes are available on our website: www.tauntondeane.gov.uk



Lift access to the John Meikle Room and the other Committee Rooms on the first floor of The Deane House, is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available off the landing directly outside the Committee Rooms.



An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter.

For further information about the meeting, please contact Democratic Services on 01823 356382 or email d.durham@tauntondeane.gov.uk

Corporate Governance Committee Members:-

- Councillor B Denington
- Councillor A Govier
- Councillor R Henley - Leader of the Council
- Councillor A Paul
- Councillor M Whitmarsh
- Councillor J Williams
- Councillor A Beaven
- Councillor A Wedderkopp
- Councillor N Wilson
- Councillor J O'Brien
- Councillor P Critchard

Corporate Governance Committee – 15 September 2008

Present: Councillor Williams (Chairman)
Councillors Brooks, Critchard, Denington, Lees, Meikle, Mrs Smith and Smith

Officers: Ms S Adam (Strategic Director)
Mr C Gunn (Group Auditor, South West Audit Partnership)
Mrs G Croucher (Democratic Services Officer)

Also Present: Councillors Coles and Miss James

23. Apologies/Substitutions

Apologies: Councillor Henley (Vice-Chairman) and Councillors Beaven, Govier, Paul and Wedderkopp

Substitutions: Councillor Brooks for Councillor Wedderkopp
Councillor Lees for Councillor Paul
Councillor Meikle for Councillor Beaven
Councillor Smith for Councillor Henley

24. Minutes

The minutes of the meeting held on 26 June 2008 were taken as read and were signed.

25. Declarations of Interest

Councillor Brooks declared a personal interest as a Member of Somerset County Council, Councillor Mrs Smith declared a personal interest as an employee of Somerset County Council and Councillor Coles declared a personal interest as a Director of Southwest One.

26. Changes to the Constitution

Reported that certain amendments to the Articles of the Constitution agreed by the Corporate Governance Committee at the meeting held on 26 June 2008 had been approved by Council on 15 July 2008. There were, however, further changes that had not been agreed by Council and these had been further considered by the Constitutional Sub-Committee.

Members discussed the recommended amendments and agreed changes proposed by the Sub-Committee.

Resolved that Council be recommended to agree the proposed amendments to the Articles of the Constitution.

27. South West Audit Partnership (SWAP) Financial Performance 2007/2008

Considered report previously circulated, giving the Committee an update on the 2007/2008 financial performance of the South West Audit Partnership (SWAP).

The SWAP provided an internal audit service to Taunton Deane Borough Council, Somerset County Council and South Somerset, Mendip and West Somerset District Councils and operated as a joint committee.

This Council had contributed £20,000 towards the start-up fund of £60,000 and it was agreed this would be repaid in four annual instalments. The Partnership had repaid £10,000 and was on track to repay the remaining balance as agreed.

It was reported that the Partnership's financial performance and business plan were robust and the Partnership had made an operating surplus of over £47,000. This would be added to the Partnership reserve.

It was also reported that the Partnership had largely delivered against its performance targets, despite a number of staffing vacancies during the year.

Resolved that the report be noted.

28. Internal Audit Plan 2008/2009 – Progress Review

Considered report previously circulated, which provided an update on the significant finds and recommendations since June 2008.

Details were also reported of the operational audits completed for the period between July and September 2008 which included any significant findings or recommendations.

Members requested that more detailed information should be provided on the completed audits.

Resolved that the report be noted.

(The meeting ended at 7.04 p.m.)

Annual Governance Report

Taunton Deane Borough Council

Audit 2007/08

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Contents

Summary	3
Financial statements and Annual Governance Statement	4
Value for money	8
Formal audit powers	9
Independence	10
Appendix 1 – Draft management representation letter (ISA+580)	12
Appendix 2 Independent auditor’s report to the Members of Taunton Deane Borough Council	14
Appendix 3 Summary of adjustments	17
Appendix 4 – Action Plan	18

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Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit, which are substantially complete. At the time of writing, work is still in progress in some areas, in particular:
 - the Housing Revenue Account; and
 - Funds, Balances and Reserves.
- 2 The report identifies the key issues that you should consider before we issue our opinion, conclusion and certificate.
- 3 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

Financial statements

- 4 We expect to issue an unqualified opinion on the financial statements.

Value for Money

- 5 We propose issuing an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Next steps

- 6 We ask the Corporate Governance Committee to:
 - consider the matters raised in the report before approving the financial statements;
 - approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate; and
 - agree the proposed action plan.

Financial statements and Annual Governance Statement

- 7 The Council's financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As members of the Corporate Governance Committee you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 8 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 9 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
 - our views about the Council's accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 10 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Changes in the SoRP specifically in relation to accounting for financial instruments and the revaluation reserve may not be accurately reflected in the financial statements.	The Council has implemented the changes arising from the SoRP into the accounts. Financial instruments and the revaluation reserve are not materially misstated.
Somerset Waste Partnership - need to consider whether this should be included within the Council's group accounts.	We sought technical advice on this issue, which confirmed the Council's own view that the Partnership should not be included in the Council's group accounts.
Transfer of assets to the Somerset Waste Partnership- risk of incorrect accounting treatment.	We found that the financial statements were incorrectly showing a profit on the disposal of these assets to the County

Financial statements and Annual Governance Statement

Issue or risk	Finding
	Council - see the summary of adjustments required to the accounts at Appendix 3.
Accounting treatment for up-front payment in 2007/08 to Southwest One in relation to the development of the SAP project.	These costs had been incorrectly charged to work in progress rather than to fixed assets - see the summary of adjustments required to the accounts at Appendix 3.
Revaluation of assets may not comply with the SoRP requirements.	The valuation of assets was found to be materially correct.

Draft representation letter

- 11** Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:
- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
 - you have approved the financial statements;
 - you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
 - you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
 - you have told me about any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
 - you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
 - you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate; and
 - cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.
- 12** Appendix 1 contains the draft of the letter of representation we seek from you.

Accounting policies and financial reporting

13 We considered the qualitative aspects of your financial reporting and have not identified any significant issues to raise with you.

Errors in the financial statements

14 We identified one material and three non-trivial errors in the financial statements. These are summarised in Appendix 3. Officers have agreed to adjust the accounts for these errors, and will be presenting revised financial statements to the Corporate Governance Committee for adoption.

Recommendation

R1 The Council should review its accounts closure processes to reduce the risk of material and other errors appearing within the statements presented for audit.

The audit report

15 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 2 contains a copy of our draft report.

Material weaknesses in internal control

16 We have identified the following matters that we wish to bring to your attention.

Table 2 Weaknesses in internal control

Issue or risk	Finding
Council tax system - testing of key controls.	We identified the following control weaknesses for 2007/08 in the Council tax system: <ul style="list-style-type: none"> • There was substantial slippage on the planned programme of inspections of council tax exemptions. • No evidence was available of the Council carrying out sample checks on council tax bills before these were issued. • The number of bills posted had not been reconciled fully to the number of bills printed.

Financial statements and Annual Governance Statement

Recommendation

R2 The Council should ensure that the control weaknesses we have noted in the Council Tax system are addressed.

Other matters

17 We have identified the following matter that we require you to consider.

Table 3 Other matters

Issue or risk	Finding
The working balance on the Council's General Fund fell from £1.28 million at 31.3.2007 to £0.645 million at 31.3.08	Supplementary estimates were approved for the key items of additional expenditure arising during the year, and the revenue outturn was very close to the revised budget. In addition, following the Council's review of earmarked balances, completed near the year-end, a total of £583,000 has been returned to the General Fund balance, bringing it back to £1.277 million. Nevertheless, in the medium term the Council faces significant pressures on both the General Fund and the Housing Revenue Account.

Recommendation

R3 The Council needs to continue to monitor closely its financial position, both on the General Fund and the Housing Revenue Account.

Value for money

- 18 We are required to conclude whether the Council has put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against seven criteria specified by the Commission. Our conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission.
- 19 We have assessed the arrangements of the Council as adequate in all twelve areas and we therefore propose to issue an unqualified conclusion.

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Formal audit powers

20 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

21 We have not and do not propose to exercise these powers.

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Independence

- 22 The Code of Audit Practice and the Audit Practice Board's (APB) Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 23 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 24 We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Council

- 25 We have identified no relationships that might affect objectivity and independence.

Audit fees

- 26 We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 4 Audit fees

	Plan 2007/08 £	Actual 2007/08 £
Financial statements and Annual Governance Statement	58,562	62,650
Whole of Government Accounts	2,032	2,032
Value for Money	25,886	29,886
Total Audit Fees	86,480	94,568
National Fraud Initiative	625	625
Inspection (net of DCLG grant)	5,900	5,900

- 27 The analysis above shows that our actual audit fee was £8,088 greater than that shown in our original plan. The reasons for this increase are as follows:
- We were required to carry out additional testing on the Council's new rent system, introduced part-way through the year, in order to obtain adequate assurance for the opinion - additional fee of £4,088.

Independence

- We agreed with the Council's officers and those of Somerset County Council that we would carry out a joint review of the implementation of the South West One project - additional fee of £4,000.

Our arrangements to ensure independence and objectivity

- 28 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 5.

Table 5 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> • do not hold a financial interest in any of our audit clients; • may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and • may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> • the general requirement to carry out work independently and objectively; • safeguarding against potential conflicts of interest; • acceptance of additional (non-audit) work; • rotation of key staff; • other links with audited bodies; • secondments; • membership of audited bodies; • employment by audited bodies; • political activity; and • gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Draft management representation letter (ISA+580)

To:

Brian Bethell
District Auditor
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

Taunton Deane Borough Council - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Taunton Deane Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Related party transactions

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and, where appropriate, adequately disclosed in the financial statements

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and

Appendix 1 – Draft management representation letter (ISA+580)

- no financial guarantees have been given to third parties.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

Assets

The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Council no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Taunton Deane Borough Council

Signed

Name

Position

Date

Appendix 2 Independent auditor's report to the Members of Taunton Deane Borough Council

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Taunton Deane Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Taunton Deane Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my

Appendix 2 Independent auditor's report to the Members of Taunton Deane Borough Council

audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Taunton Deane Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 3 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Brian Bethell
District Auditor

Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol BS34 8SR

30 September 2008

Appendix 3 Summary of adjustments

- 29 Losses on disposal of fixed assets of £743,000, mainly in respect of the transfer of waste assets to Somerset County Council on the establishment of the Somerset Waste Partnership from October 2007, were shown in the financial statements as a gain. This had no effect on the General Fund Balance, as such gains or losses are reversed out through the Statement of Movement on General Fund Balances.
- 30 Costs of £365,000 in respect of payments to Southwest One for the development of the SAP project (£114,000) and construction costs at two sports pavilions (£60,000) and the Highfields Nursery (£191,000) were incorrectly charged to work in progress rather than being shown within fixed assets.
- 31 The accounts recorded a capital grant payment and a matching capital receipt for £115,000 - the valuation figure - in respect of the transfer of land to a housing association, when the land had in fact been transferred for the nominal sum of £1.
- 32 Debtors and creditors were both over-stated by £192,000, in respect of invoices raised by the Council on 31 March in respect of income due in 2008/09 for the garden waste bin and collection service.

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Appendix 4 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 The Council should review its accounts closure processes to reduce the risk of material and other errors appearing within the statements presented for audit.					
7	R2 The Council should ensure that the control weaknesses we have noted in the Council Tax system are addressed.					
7	R3 The Council needs to continue to monitor closely its financial position, both on the General Fund and the Housing Revenue Account.					

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE, 30 SEPTEMBER 2008

REPORT OF THE FINANCIAL SERVICES MANAGER

This matter is the responsibility of Executive Councillor Henley (Leader of the Council)

STATEMENT OF ACCOUNTS 2007/08 – CONCLUSION OF AUDIT

EXECUTIVE SUMMARY

The external audit of the Annual Statement of Accounts for 2007/08 has been concluded. This has identified some errors in the draft accounts, which require correction, and consequently the annual accounts are required to be re-approved by the Committee.

1 Purpose

- 1.1 To obtain the Committee's re-approval of the amended annual Statement of Accounts following the conclusion of the external audit.

2 Background

- 2.1 The Corporate Governance Committee approved the draft Statement of Accounts at their meeting on 26 June 2008. The external audit of the Accounts has just been completed and has identified errors in the accounts, which warrant correction due to their value. Therefore the amended Accounts have to be re-approved by the Committee before the end of September 2008.

3 Amendments to the Statement of Accounts

- 3.1 The errors identified in the accounts do not impact on the "bottom line" of the Council and do not impact on the level of balances or reserves held. The table below summarises the errors found, the corrections required and the main statements that have been amended.

Error	Correction Required	Statements Amended
Losses on the disposal of Fixed Assets £743k	<p>The Council is required to show in its Accounts the surplus/ loss on the disposal of fixed assets. This is a notional figure which is added into the Income and Expenditure Account and then subsequently removed in the Statement of Movement on the General Fund Balance. Thereby leaving no impact on the General Fund reserve.</p> <p>In error the losses on the disposal of assets during</p>	<ul style="list-style-type: none">• Income and Expenditure Account• Statement of Movement on the General Fund Balance• Group Accounts corresponding statements

	2007/08 were incorrectly shown as a surplus and needs to be reversed.	
Treatment of Capital Expenditure for the SAP Project and the new Plant Nursery at Highfields - £365k	This has been shown in the Balance Sheet as Work in Progress – the auditor has requested that this be reclassified as an “Asset under Construction”. This is effectively only a reclassification of capital expenditure and moves the cost from Current Assets to Fixed Assets within the Balance Sheet. The Audit Commission issued guidance on the treatment of SAP to the Council and recommended treatment as an Asset under Construction – unfortunately this was not received until after the Accounts had been approved by the Committee	<ul style="list-style-type: none"> • Balance Sheet & Associated Fixed Asset Notes • Cash Flow Statement • Group Accounts Corresponding Statements
Sale of Car Parks Spaces, the Crescent CP - £115k	The Council agreed to the sale of 6 car park spaces to a housing association to supplement the development at Exchange House, the Crescent. This was funded from the Housing Service’s capital budget and was transacted by doing an internal journal between capital receipts and the capital programme for £115k. The Land Registry document backing up this transaction has shown that this was actually only done for a nominal £1 – as a consequence the Auditor has disallowed the journal mentioned above and requires the Accounts to show only the external transaction of £1 rather than its “internal” value of £115k	<ul style="list-style-type: none"> • Balance Sheet & Expenditure Account • Group Accounts Corresponding Statements
Debtors and Creditors - £192k	The Council billed for £192k of income in March 2008 for the sale of Garden Waste collection services to the public	<ul style="list-style-type: none"> • Balance Sheet and associated notes • Group Accounts

	for 2008/09 – this income was treated as a creditor (receipt in advance) within the Balance Sheet but as it relates to income due in 2008/09 the Auditor requires the Authority to net it down within debtors – the amendment is purely a reclassification within the balance sheet	Corresponding Statements
Long Term Investments - £30k	Investments which were due to mature in 2008/09 were incorrectly shown as a long term investment – according to their maturity date they should have been classed as a short term investment – the amendment is purely a reclassification within the balance sheet	<ul style="list-style-type: none"> • Balance Sheet and associated notes • Group Accounts Corresponding Statements
Financing of Capital Expenditure - £40k	Note 17 to the Primary Statements shows how capital expenditure had been financed – £40k of expenditure which was shown as being financed by revenue contribution was incorrectly shown as being financed by the Major Repairs Allowance – the note needs to be restated to reflect the correct treatment	<ul style="list-style-type: none"> • Note 17 to the Primary Statements

3.2 In addition to the above minor typographical errors have also been corrected throughout the Accounts.

3.3 Officers have discussed these amendments with the External Auditor and are happy to amend the Annual Accounts for the items shown above. Amended Statements will be circulated prior to the meeting under separate cover. Following this the Auditor is expected to issue an unqualified opinion on the Accounts.

4 Recommendations

4.1 The Committee is recommended to approve the amended Statement of Accounts for 2007/08.

Contact: Paul Carter
Financial Services Manager
Tel: 01823 356418
E-Mail: p.carter@tauntondeane.gov.uk