

# 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"><li>• Income and Expenditure Account</li><li>• Statement of Movement on the General Fund Balance</li><li>• Group Accounts corresponding statements</li></ul>

	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"> <li>• Balance Sheet &amp; Associated Fixed Asset Notes</li> <li>• Cash Flow Statement</li> <li>• Group Accounts Corresponding Statements</li> </ul>
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"> <li>• Balance Sheet &amp; Expenditure Account</li> <li>• Group Accounts Corresponding Statements</li> </ul>
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"> <li>• Balance Sheet and associated notes</li> <li>• Group Accounts</li> </ul>

	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"> <li>• Balance Sheet and associated notes</li> <li>• Group Accounts Corresponding Statements</li> </ul>
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"> <li>• Note 17 to the Primary Statements</li> </ul>

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.

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