

6. 2009/10 Annual Statement of Accounts

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Purpose of the Report

To re-present the 2009/10 Annual Statement of Accounts to the Audit Committee to show the amendments required which were highlighted during the audit.

Recommendations

- (1) To note the amendments to the Statement of Accounts to correct the errors and differences in some interpretations that were highlighted during the audit;
- (2) to note the items and reasons why amendments suggested by the Audit Commission were not made to the Statement of Accounts;
- (3) to note the addition of a Post Balance Sheet Event relating to the Pension Increase Order whereby payments will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

A copy of the revised draft Statement of Accounts has been circulated separately with this agenda.

Background

As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the principles is accountability and preparing and publishing the annual Statement of Accounts is one way that the Council achieves this objective.

Members will remember having approved the draft Statement of Accounts at the Audit Committee meeting held in June 2010. Since the approval of Accounts some amendments have been made with agreement of the Audit Commission.

This report:

- Re-presents the 2009/10 Statement of Accounts incorporating the necessary amendments required following the audit.

Please contact Amanda Card before the meeting on 01935 462542 with any questions on the information presented.

Amendments to the Financial Statements

On the face of the Income and Expenditure Account, the expenditure (£3,457k) and income (£3,457k) had been included within Non-Distributed Costs. This expenditure element is already shown within "Precepts and Levies" and the income element is shown within "Demand on Collection Fund". Although the net effect on the Net Costs of

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Services is £nil, this constitutes a presentational error which has now been amended. The process for producing the Income and Expenditure Account has been amended to ensure that this does not occur in future years.

The available guidance following the introduction of the disclosure note for Senior Officer Remuneration has created difficulty in interpretation for a number of authorities. SSDC had disclosed this information on a cash basis (what had physically been paid) rather than on an accruals basis (what has become receivable). After discussion with the Audit Commission, it has been decided that the information should be presented on an accruals basis. Now that we have agreed the interpretation with the Audit Commission, we will ensure that in future years the disclosure will be carried out on an accruals basis.

The legal dispute regarding the Tonstate car park was treated as a non-adjusting post balance sheet event, meaning that the accounts had not been adjusted to show the effects of the post balance sheet event. However, the Audit Commission are firm in their belief that this should be an adjusting event and that the Statement of Accounts should reflect this event. We still believe that as the outcome of the mediation was not known and could not have been known at the Balance Sheet date that we had accounted for the event correctly. However, if the Statement of Accounts had not been amended a qualified opinion would have been given.

There was an error made on the revaluation of one of the Eurobonds. The Eurobond was purchased during 2009/10 with accrued interest which was payable in April 2010. The Eurobond was inadvertently revalued without taking this into account which resulted in the Eurobond being undervalued by £36k. The Statement of Accounts have now been amended to correct this error and has led to an increase in Long Term Investments and an increase in the Available-for-Sale Financial Instruments Reserve.

Amendments not made to Financial Statements

Four assets (Octagon Theatre, Yeovil Recreation Centre, Tintinhull Gypsy Site and Ilton Gypsy Site) had some revaluation gains on land offset against some revaluation losses (impairment) on buildings. The revaluation losses should have been charged to the Income and Expenditure Account rather than being netted off the revaluation gains. The Audit Commission has requested that the accounts be amended. As the Audit Commission identified this error very late in the day, the errors have not been corrected due to the amount of time left to correct the error and the number of disclosures that would require amending. However, it is accepted that this is an error and the amendments will be made during 2010/11 to ensure that the accounting is correct.

As in previous years, salary costs of £209,000 have been capitalised. The Audit Commission has raised questions about the evidence that was provided and the method of accounting for the salary costs but they are not asking that the accounts be amended. We have reviewed the process for 2010/11 to ensure that we can collate sufficient evidence that the Audit Commission will find satisfactory and that we account for them correctly.

Post Balance Sheet Event

In the recent budget, the Pension Increase Order applied to public service pension schemes' pensions in payments will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The Audit Commission has stated that the accounts do not need to be adjusted to reflect the post balance sheet event. The change in inflation measurement would have reduced the Net Pension Liability as at 31st March 2010 by £5,750k from £65,726k to £59,976k.

Auditor's Opinion

The auditor has given an unqualified opinion that they were satisfied that the financial statements presented show a true and fair view of SSDC's financial position at the end of 2009/10.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *2009/10 Annual Statement of Accounts – June 2010*
