

REPORT TO AUDIT AND PRFORMANCE REVIEW PANEL

Title: **EXTERNAL AUDITORS REPORT ON THE ANNUAL ACCOUNTS 2007/08**

Date: 10 SEPTEMBER 2008

Member Reporting: Councillor Hilton

Contact officer: Peter Brown, Chief Accountant, X 6207

Wards affected: All

1. **SUMMARY**

- 1.1. This report considers the changes required by our external auditors, KPMG, following their review of the 2007/08 Annual Accounts.
- 1.2. There have only been a few minor changes to the accounts published in June 2008 and the panel is now requested to approve, sign and adopt the updated 2007/08 Annual Accounts and Annual Governance Statement.

2. **RECOMMENDATION:**

- 2.1. **That the panel receives and notes the contents of KPMG's Audit Memo**
- 2.2. **That the panel approves and signs the 2007/08 audited accounts.**

What will be different for residents as a result of this decision?
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The Council is responsible for ensuring that it publishes its annual account and Statement and annual governance Statement in line with recommended best practice and before the statutory date of 31 September each year. The process of reviewing the accounts ensures the public that the Council has properly and fairly presented how it has spent each years Council Tax and supporting government grants.
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3. **SUPPORTING INFORMATION**

- 3.1. The Council is required to adopt the Annual Accounts following their review by our External Auditors, KPMG. Following inspection, KPMG issue a report on the final accounts, which Council must consider prior to final certification by the Mayor and the Audit Manager.
- 3.2. KPMG have completed the audit of the 2007/08 Statement of Accounts and identified a number of minor changes to the way the statement of accounts is presented. These are included in the attached "External Audit: Audit Memorandum

- Report to those responsible for Governance". Appendix 3 Audit Differences identifies those items that must be "*Communication of Audit Matters to Those Charged with Governance*". The adjustments fall into the category of Uncorrected and Corrected Audit Differences.

- 3.3. The Uncorrected Audit Difference relate to the value of Highways work believed complete at the year end. At this time a number of invoices were under negotiation with the contract and the final position was difficult to determine. There is a strict statutory deadline for completion of the accounts and a "best estimate" of £12k was made. The final bill was paid at the end of May and the impact on the accounts, £127k, was unknown until June. After the accounts were published. The payment is accounted for in the 2008/09 accounts and the adjustment to the accounts is immaterial against a budgeted capital programme of over £20m. The auditors agreed that it was not necessary to adjust the accounts for this item.
- 3.4. The "Corrected Audit Differences" relate to three areas. The first adjustment relates to a capital receipt of £5.121m which was originally thought to be wholly attributed to compensation. An in depth review of the assets by the external auditors showed that some of this related to an asset sale negotiated in 2006/07. Local Authority accounting means the impact on the accounts is complex. However, there is no overall impact on the revenue balances and net asset valuation at the end of 2007/08. The impact of the change is summarised in Appendix 1
- 3.5. The second adjustment is on the Cash Flow statement where an "Other Operating Cash Payments" debtor of £30k was incorrectly included within "New Loans Raised Short Term". The impact of the change is included in Appendix 2
- 3.6. The third "Corrected Audit Differences" adjustment is on Note 36 to the Balance sheet for a Parish Precept paid in Advance on 2008/09. The entry of £520k was incorrectly included in "Payments in Advance" rather than "Other Local and Public Authorities". Appendix 3 reflects this amendment.
- 3.7. Lastly there were a number of "Presentational adjustments" suggested by KPMG. By and large these were punctuation and spelling changes although a number of notes were also added to enhance the understanding of the accounts. The most significant changes are included in Appendix 4 i and ii.
- 3.8. The accounts for the Berkshire Pension Fund are included within the statement of accounts for the Borough and are unchanged.
- 3.9. The final Statement of Accounts (including the Annual Governance Statement) in the format required by the Chartered Institute of Public Finance and Accountancy and in accordance with appropriate accounting standards. They are presented to this panel for final approval and signature by the Panel Chairman and KPMG. Copies will be placed on HyperWave and the Councils web site.

4. **OPTIONS AVAILABLE AND RISK ASSESSMENT**

4.1. **Options**

	Option	Comments	Financial Implications
1.	Accept the report	The Council has a responsibility to adopt the accounts following amendments identified during their Audit by 30 September 2008, failure to do so would result in a failure to comply with the Accounts and Audit Regulations 2003.	
2.	Reject the report	This is not an option as The Local Government Act 2003 requires the Royal Borough to monitor its financial position	

5. **Risk assessment**

There is no risk associated with this report.

6. **CONSULTATION CARRIED OUT**

- 6.1. The required 20 working days consultation period was applied.
- 6.2. One legal challenge with respect to the Royal Borough liability in respect of a hedge was raised but KPMG have dismissed this as immaterial
- 6.3. One question on Windsor parking costs was raised and the questioner has satisfied themselves on the validity of the controls in place and the way the transactions are accounted.

7. **IMPLICATIONS**

- 7.1. The following implications have been addressed where indicated below.

Financial	Legal	Human Rights Act	Planning	Sustainable Development	Diversity & Equality
✓	✓	N/A	N/A	N/A	N/A