

Reports to Committees**Liverpool City Council**

Report to:	Audit & Accounts Committee
Subject:	Audited Statement of Accounts 2007/08
Report no:	FMS/26/08
Date:	30th September 2008
Reporting officer:	Robert Corbett Acting Executive Director
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Ward:	City wide

1. Purpose and recommendations

To consider and approve the revised statement of Accounts for 2007/08.

That:

- a) the revised Statement of Accounts 2007/08 be approved;
- b) the Committee continues to receive quarterly update reports of the progress in addressing the significant internal control issues identified in the Statement of Internal Control.

2. Relevant background information

The pre-audited Statement of Accounts for 2007/08 as presented to the Audit and Accounts Committee.

3. Key issues

In June the Council approved the Statement of Accounts for 2007/08 making them available for public inspection and audit by the Auditors.

The Auditors are required to issue a report to those charged with governance summarising the conclusions of their audit work. Within the City Council the Audit & Accounts Committee fulfils this role.

A report from the Auditors is elsewhere on this Committee's agenda.

However, since the Statement of Accounts was approved in June a number of issues and adjustments have been identified that should properly be reflected in the Statement of Accounts. The Statement of Accounts now attached, therefore reflect the following key adjustments.

Capital Commitments re City Centre Movement Strategy

The value of capital commitments included disclosure of the City Centre Movement Strategy - £6.486m. This is made up of two elements, the larger of the two, totalling £5.578m, relating to Phase 2 of the scheme which has not yet been formally committed. Audit testing found that there has been no final authorisation for the scheme to date. As a result some of the anticipated ERDF funding will now be available from NWDA and private funding.

The disclosure of capital commitments are overstated. The disclosure note should only contain those schemes to which the authority is legally committed.

Rate Support Grant Debtor

The reconciliation of the RSG entitlement arising from the NDR national pool showed an understatement of £1.3m in the disclosed debtor in the accounts, compared to the actual debtor, due to historic errors in the spreadsheet used to perform the reconciliation. The error had been identified and the full amount of income received, but the General Ledger has not been updated for the correct amount. This has now been actioned.

Disclosure of Losses and Gains re Derecognition of Financial Investments

The Statement of Recommended Practice (SORP) requires that gains and losses arising from treasury management activities concerning the early repayment of debt should be recorded in the accounts gross and gains and losses not simply netted off.

An amendment was therefore necessary to identify gains of £1.949m and losses of £1.876m to explain the a net “gains on the repayment of debt” of £73k – as per note 20b to the accounts.

Creditors and Prepayments

Audit testing of the Council’s creditors balance identified an occasion where the accounts recorded a liability as a creditor rather than a prepayment. The necessary adjustment has no impact upon the financial position of the council but does adjust two figures on the balance sheet.

Creditors and Provisions

Audit testing of the council’s creditors balances identified an occasion where the accounts overstated the value of creditors but understated the value of the provision required for future expenditure. Again the necessary adjustment has no impact upon the financial position of the council but does adjust two figures on the balance sheet.

Pension Fund Assets

The assets of the pension fund are required under accounting requirements to be apportioned and recorded within the accounts of each employing body. The estimate of pension fund assets prepared by the Merseyside Pension Fund was understated by 1.5% (£17m). The notes to the accounts now reflect the correct assessment.

Fixed Asset Reconciliation

The Council has made progress in its aim of recording all property information into the new TRIBAL system. There is a list of potential duplications on the asset register resulting in an overstatement of fixed assets of £4m. Officers are currently investigating this matter.

Work is continuing to investigate the discrepancies arising from the process of matching the property information and amend the accounts accordingly. However, significant progress has been made during the year and the Council’s fixed asset management database is now much more reliable than in previous

years and the work to make it fuller fit for purpose will be completed by the end of March 2009.

Collection Fund re Council Tax Provision for Bad Debts

The Council Tax Bad Debt Provision was calculated on information available at the accounts presentation date. However, actual collection performance in the year to date suggests the bad debt provision could be understated by between £1.2m and £2.2m. The Collection Fund performance continues to be closely monitored each month and any further impact of the downturn in the national economy will be reported in future quarterly financial review reports.

Housing Stock Transfer

As reported to the Audit & Accounts Committee in June the council was in discussion with the auditors over the final accounting arrangements for the housing stock transfer. It has therefore subsequently been determined that to fully comply with the SORP that an adjustment was needed to the impairment value of the housing stock at the year end. This adjustment makes no difference to the financial position of the council.

4. Conclusions

That the revised Statement of Accounts for 2007/08 presents fairly the financial position and income and expenditure of Liverpool City Council for the year ended 31st March 2008.

5. Key to any abbreviations used

Cipfa – Chartered Institute of Public Finance & Accountancy
EMT – Executive Management Team
MTFP – Medium Term Financial Plan
SORP - Statement of Recommended Practice
RSG - Rate Supporting Grant
NDR - Non Domestic Rates
NWDA –North West Development Agency
ERDF - European Regional Development Fund

6. Documents attached

Statement of Accounts 2007/08