

Somerset County Council

**Paper C**  
**Item No.7**

Audit Committee – 23 September 2010

## **Approval of Accounts 2009/10**

Cabinet Member: David Huxtable  
Division and Local Member: All  
Lead Officer: Roger Kershaw, Corporate Director, Resources  
Author: Jo Nacey, Chief Accountant  
Contact Details: [rikershaw@somerset.gov.uk](mailto:rikershaw@somerset.gov.uk) or (01823) 355816 or  
[inacey@somerset.gov.uk](mailto:inacey@somerset.gov.uk) or (01823) 355484

### **1 Purpose**

As part of the formal process of closing the County Council's 2009/10 accounts, members are required to approve the Statement of Accounts by 30 June and reapprove them by 30 September if there are any material changes following the audit period.

### **2 Recommendation**

- 2.1 Members are recommended to consider and approve the Statement of Accounts for 2009/10, noting the changes and updates since the formal approval of the draft accounts in June.

### **3 Background**

- 3.1 The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Authority's draft Statement of Accounts, this was completed in June.
- 3.2 The Regulations also require us to return to the Audit Committee if there are any significant changes in the accounts or any further updates which have occurred since the approval of the draft accounts. This year there have been both.
- 3.3 External Audit has identified a number of trivial and non-trivial errors. We have, where appropriate, restated the accounts to reflect the changes. On one occasion we have not restated the accounts for one finding and an explanation is given later in this report.
- 3.4 We have also included a post-balance sheet event. This relates to the change in assumptions used by the actuaries to value the Pension Fund. The change from the use of RPI to CPI has resulted in a significant reduction in the Pension Fund deficit. This has been deemed by External Audit to be a "non-adjusting post balance sheet event" and a note has been added.

## **4 Statement of Accounts – Amendments**

- 4.1 Environmental Services income and expenditure for concessionary fares is overstated by £2.690 million. This has arisen from duplicate payments made during the year. A credit was incorrectly raised as additional income rather than netting off against expenditure. The error has been corrected in the accounts.
- 4.2 Environmental Services income and expenditure for structural maintenance of highways is overstated by £18.233 million. The transfer of this expenditure to capital was incorrectly reported as additional income rather than as a reduction to expenditure. The error has been corrected in the accounts.
- 4.3 Children's Services and Education Services income and expenditure are overstated by £1.8 million. An adjustment made in the general ledger, to transfer Sure Start grant income from one cost centre to another, wrongly posts the debit entry to an expenditure code instead of reducing income. Income and expenditure are overstated in the accounts. The error has been corrected in the accounts.
- 4.4 The audit identified inconsistencies between the fixed asset register kept by the accountants and the asset listing kept by valuers. Some properties revalued in the year have not been included in the accounts. Fixed asset values in the accounts are understated by about £5.2 million. The error has been corrected in the accounts.
- 4.5 The Council operates four ledger codes for each bank account - two credit and two debit accounts. These accounts should be netted off to provide one balance for each account. However, in the accounts these balances are shown separately. As a result the cash figure on the balance sheet is misstated by £147,000 and the overdrawn balance by the same amount. The error has been corrected in the accounts.
- 4.6 Of these amendments only the netting off of cash and overdraft referred to in 4.5 was an error which falls within the Corporate Finance remit. The other errors have been made by SWOne finance staff and we will need to address these through the regular performance meetings. It is also notable that these errors are not closely related to SAP functionality or expertise but they are basic accountancy treatment issues.

## **5 Statement of Accounts – Unadjusted error**

- 5.1 We are aware that the income and expenditure account net cost of service is overstated by £628,000, in relation to duplicate payments identified after the draft accounts were approved. The exact amount is not known at this stage and correcting the accounts with an estimated figure would be inappropriate. We need time to examine the details provided by services to ensure that the correct adjustments are made.

## **6 Post Balance Sheet Event – Pension Deficit**

6.1 Please refer to the narrative on page 73.

## **7 The Next Steps**

7.1 Should approval be given today, I will publish the Statement of Accounts and make copies widely available, including on the internet. This will be in advance of the statutory deadline of 30 September.

R J Kershaw  
s151 Officer and Corporate Director Resources

*For further information please contact:  
Jo Nacey, Chief Accountant, Corporate Finance  
telephone 01823 355484*

*Background Papers: Cabinet (12<sup>th</sup> July 2010) Revenue Outturn Report 2009/10 & Revenue Outturn 2009/10 – Supplementary Report*