

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit (Final Accounts, Monitoring and Review) Sub Committee Date 20/09/2010

Originating Service Group(s)

CUSTOMER AND SHARED SERVICES

Contact Officer(s)/

PAT MAIN

Telephone Number(s)

4410

Title

2009/2010 AUDITED STATEMENT OF ACCOUNTS

RECOMMENDATION

That Audit (Final Accounts Monitoring and Review) Sub-Committee note:

- (i) That the Council's external auditors have completed the majority of their audit of the 2009/2010 Statement of Accounts.
- (ii) That the external auditors have identified no material unadjusted errors to date in the amended Statement of Accounts.

1. PURPOSE

- 1.1 To update members on the progress of the audit of the 2009/2010 Statement of Accounts.

2. BACKGROUND

- 2.1 The draft Statement of Accounts was presented to the Audit Committee on 28 June 2010, in advance of the statutory deadline of 30 June. This draft was subject to audit by the Council's external auditors, PricewaterhouseCoopers (PwC), which has been performed during the last three months.

- 2.2 The committee can draw assurance from PwC's intention to issue an unqualified opinion on the financial statements, subject to the outcomes of the remaining elements of audit work. This will be included in the published statement of accounts that will be presented to Audit Committee on 27 September 2010.

- 2.3 As a result of their work on the draft Statement of Accounts, PwC have recommended that some changes be made to the content of the accounts. It is normal for there to be a small number of changes each year, as more up-to-date information becomes available during the course of the audit. In addition to a number of minor changes and additions the following adjustments have been made:

- **Capitalisation Risks** - It has been agreed that it is appropriate for the council to increase its Provision for Capitalisation Risks by £5.4M to reflect risks around pension provision on payments made to employees and former employees under Equal Pay legislation. This was necessary as a result of new information that only became available following the reporting of the accounts to the Audit Committee in June 2010.
- **Depreciation/Revaluation of Fixed Assets** - PwC's review of the council's workings identified a small number of errors in the detailed calculations underlying the analysis of fixed assets. None of the resulting changes have affected the overall value of the council's fixed assets or the total amount credited to the General Fund for the year.
- **Waste Disposal Contract** - Due to the introduction this year of International Financial Reporting Standards (IFRS) in respect of PFI and similar contracts, the council has had to review such contracts to establish whether they are to be treated as 'on' or 'off-balance sheet'. The view taken in preparing the draft statement of accounts, on the basis of the information available at that time, was that the waste disposal contract should be accounted for as 'off-balance sheet'. However, as further research has been performed during the course of the audit, that view has changed, and the revised statements treat the contract as 'on-balance sheet'. This change has had no effect on the total amount credited to the General Fund for the year.
- **Airport Valuation** – in line with the requirements of the SORP, the value of the council's shareholding in Birmingham International Airport as shown in the balance sheet has been put onto a fair value (rather than a historic cost) basis. This has increased the value of the investment by £10.4M. The valuation of the shares has been performed by external valuers since June, and was therefore unavailable at the time of preparing the draft accounts. It is important to note that this change in valuation method has no impact on the resources available to the council to fund future expenditure.

- **Housing Revenue Account (HRA)** – Following the implementation of the new Northgate Housing system, some difficulties were encountered with the automatic interface between that system and the council’s general ledger. During the audit, further work was undertaken to analyse the interface, as a result of which a number of changes were identified in the HRA statements. The overall effect of these changes has been to increase the HRA reserve by £1.2M.

2.2 Following approval by Audit Committee, a copy of the finalised Statement of Accounts will be published in line with the statutory deadline of 30 September 2010.

3. FINANCIAL IMPLICATIONS

3.1 The financial implications are outlined in the report.

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4. LEGAL IMPLICATIONS

4.1 The legal implications are outlined in the report.

5. EQUAL OPPORTUNITIES IMPLICATIONS

5.1 There are no equal opportunities implications.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no environmental implications.

7. SCHEDULE OF BACKGROUND PAPERS

Final accounts working files held within Strategic Financial Services.