

Report for Information

Report to Audit Committee
29 January 2009
Report of Head of Finance
Subject Annual Governance Report 2007/08

Item
5

Purpose

To provide context for the Annual Governance Report which follows on this agenda.

Recommendations

To be noted.

Financial Consequences

There are no direct financial consequences of this report.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Aiming for excellence”.

Contact Officers

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Background Documents

Following on from the appointment of the new Head of Finance in November 2006, it was estimated that it would take a minimum of 3 years to move the council's financial management processes to a position where the annual statement of accounts were both SORP compliant and met a high standard. With the near completion of the 2007/08 Statement of Accounts, we are now at the end of the second year of this recovery process.

The production of the statement of accounts for 2007/08 represents the first time in a number of years that the accounts have been completed from a ‘balanced’ trial balance.

Report

1. As members may recall, for the 2006/07 Statement of Account, Norwich City Council received a 'qualified disclaimed' opinion and the council was subject to a Section 11 notice, whereby it had to address specific audit issues; which were a mix of both financial management and accounting issues.
2. On 30 June 2008, members approved the 2007/08 Statement of Accounts and received a progress update from the District Auditor on 28 November 2008. However, although these accounts were produced based on a 'balanced' trial balance, there was a probability that some further accounting treatments would be brought into question and would require to be resolved during the subsequent audit.
3. The audit of the accounts is now reaching its conclusion and it is expected that the District Auditor will publish his opinion on the Statement of Accounts by the end of January 2009.
4. We are pleased to note that the Audit Commission recognises the positive approach Council officers have shown towards the audit issues raised and that many of the issues that contributed towards the disclaimer opinion in 2006/07 have now been addressed.
5. The Council recognises that it needs to address the issue of in-depth technical skills within the finance team. The Council's accounts are complex when compared with most district Council's having an HRA, a Highways Agency, a large property investment portfolio, a considerable heritage estate and undertaking a wider range of activities than most districts. Whereas the Council's finance team reflects the size of a district authority's team it does not necessarily have the range of technical accounting resource found in medium to small unitaries which have similar technical accounting demands.
6. We have already made a bid to RIEP for support on technical accounting issues and are examining the opportunities for joint working with other Councils which have adequate technical accounting resource.
7. It should be noted that the Councils reserve position has moved from £1.8 million pounds in 2005/06 to an expected level of £11 million when the accounts are finalised. £4.6 million of this increase (£9.2 million) has come from detailed examination of the accounts, improved financial management processes and rigorous budget setting. This puts the Council in stronger position than most district councils when dealing with the potential impact of the recession.