

## City of Westminster

<b>Committee</b>	<b>Date</b>	<b>Title of Report</b>
Urgency General Purposes	29 November 2004	Accounts for the year ended 31 March 2004 – Updated Financial Statements.
<b>Classification</b>		<b>Report of</b>
For General Release		Director of Finance
<b>Wards involved</b>	All	
<b>Policy context</b>	A business like approach	
<b>Financial Summary</b>	The post audit and public inspection Statements of Accounts are presented for approval. Audit adjustments have resulted in a final General Fund balance of £33.8 million. This reflects total accounting adjustments reducing the pre-Audit General Fund balance by £1.4m.	
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### 1. Summary

- 1.1 The draft Financial Statements were reported to the meeting of the General Purposes Committee on the 21 July 2004 and the draft accounts were approved, including an amendment relating to the provision for debt repayment which increased the General Fund balance from £32.7 million to £35.2 million.
- 1.2 The Committee was advised that the District Auditor was nearing completion of the audit of the Accounts and received the Auditor's Communication concerning the financial statements (the SAS 610 report). The Committee was also advised that issues arising from the further audit day on 6 September 2004 would also have to be considered.
- 1.3 Since July, the SAS 610 issues raised by Audit have been progressed, and the final bank reconciliation has been completed. Adjustments arising from the reconciliation in relation to Housing Benefits transactions have been made and the General Fund balance adjusted accordingly. Further work is being done in respect of the provision detailed in 4.5 below. No other adjustments are required following the completion of the audit. A technical report from Vertex that details the precise basis of the adjustments is attached as background to this report (Appendix C ).
- 1.4 Extensive effort has gone into the reconciliation of the bank, general ledger and bank statements. Relevant processes and controls are being reviewed and improvements are being made together with organisational changes to ensure improved performance in this area. The attached Vertex

report details the procedural and process changes taking place. Organisationally the Council has created a post of Director of Financial Control and has filled this on an interim basis during the recruitment process. This has been coupled with the transfer of the responsibility for the Banking and Control function and staff to this post. Various reviews are currently underway to improve overall financial control.

- 1.5 An objection has been made to the 2003/04 accounts in respect of the Designated Sales Settlement with Dame Shirley Porter and the current position on this is set out.
- 1.6 The Accounts and Audit Regulations 2003 deadline for publishing the accounts is 30 November 2004. The District Auditor will sign the Accounts as now presented to enable publication.  
The statement of internal control, and letter of representation will be signed by appropriate senior officers and in the case of the former, by the Leader, to enable the District Auditor to sign. The District Auditor has also requested that appropriate responses and proposed actions relating to the supplementary SAS 610 report be agreed.

## **2. Recommendations**

- 2.1 That the Committee approves the amendments to the Statement of Accounts.
- 2.2 That the Chairman be authorised to sign and date the amended Statement of Accounts.
- 2.3 That the Committee agree the response on the supplementary SAS 610 issue as set out in this report (Appendix B).

## **3. Background to this Report**

- 3.1 At the meeting of the Committee on 21 July 2004, the Committee received the draft financial statements for 2003/04, which were subject to completion of the Audit by the external auditors, the Audit Commission.
- 3.2 A year-end General Fund balance of £35.2m was reported of which it was proposed that £0.9m be earmarked for specific use in 2004/05. This balance is amended for one specific area to £33.8m as set out below.

## **4. Statement of Accounts**

- 4.1 The Statements of Accounts are attached for the Committee's consideration of the revised position.
- 4.2 The position on the General Fund is amended from that reported to the Committee on the 21 July 2004 for items arising from the bank reconciliation.
- 4.3 The Committee was advised in July that there had been delays in

reconciliation of the unrepresented cheques statement to the General Ledger and that in future it was proposed to carry out a full reconciliation monthly. This has been implemented and work is underway with Vertex to bring the bank reconciliation fully up to date by the end of January 2005 on a month by month basis.

4.4 There are two adjustments being made to the accounts. The first is a write off of £1,192,000 in respect of stopped Housing Benefit cheques that were incorrectly accounted for in 03-04 and prior years. No cash loss is involved in this adjustment. The adjustment is an accounting entry only to correct the incorrect processing of earlier accounting entries.

4.5 The second adjustment is in relation to queries raised as a result of the final bank reconciliation relating to presented cheques again in the area of Housing Benefits. The sum involved here is £238,000 and this requires further investigation prior to recommending any further accounting adjustments or write off. As the investigation of this is ongoing, it is felt prudent to make a provision to cover any eventual write off of this sum or part of it.

4.6 The accounting adjustments to the Financial Statements can be summarised as follows:

1 Bank Overdraft	- Increased by	£1,192,000
2. Provisions	- Increased by	£ 238,000
3. General Fund Balance	- Reduced by	£1,430,000

(There is no impact on Government Grant for Housing Benefit Subsidy arising from these adjustments.)

4.7 After the making of these corrections the District Auditor confirms that he will sign the Statement of Accounts as presented

## **5. Objections to the Accounts**

5.1 The District Auditor has accepted an objection from five local government electors who have agreed to be co-objectors. The objection concerns the Designated Sales settlement with Dame Shirley Porter of £12 million. There is a hearing planned for December 8 when the District Auditor will receive the case(s) prepared by the co-objectors. The District Auditor will then consider the evidence, make investigations as appropriate, collect further evidence if needed and decide the objection over the most expeditious timescale possible, which is naturally difficult to judge at this stage. Until the objection is decided the 2003/04 audit must remain 'open' (that is uncertified). However, the District Auditor has now certified all previous audits including 2002/03.

## **6. Auditors Communication Concerning the Financial Statements (SAS 610 Report)**

- 6.1 The Auditors supplementary SAS 610 report is attached as Appendix A. The Committee agreed the response to the previous items at its July meeting and a further draft response to the supplementary report is attached (Appendix B).

## **7. Legal Implications**

- 7.1 The Accounts and Audit Regulations 2003, are shortening the statutory deadlines for approval of the Statement of Accounts by Members, and subsequent publication of the Accounts after audit, is required by 30 November for 2003/04.

## **8. Staffing Implications/Staff Consultation**

- 8.1 There are no staffing implications for the City Council arising directly from this report, although organisation changes have been made within the finance function to improve financial controls in this area.

## **9. Business Plan Implications**

- 9.1 Certain of the balances reported in the Statement of Accounts are particularly important in relation to future financial planning. These include the General Fund balance which is available for use in reducing future Council Tax requirements; the parking places reserve account, and capital contributions and receipts where balances can be used to assist in funding the capital programme. In addition, any continuing budget variations between 2003/04 estimates and out-turn and 2004/05 estimates and projections are being considered in Business Plan review processes.

## **10. Ward Members' Comments**

Not applicable

## **11. Proposed Reasons for Decisions**

The reasons for the recommended decisions are:

- i) Approval by the Committee is required prior to signing of the accounts by the District Auditor.
- ii) Approval will enable accounts to be finalised by 30 November in accordance with the statutory deadline.

## **12. Conclusion**

- 12.1 The Statement of Accounts details the overall financial position of the Council and is submitted for the approval of the Committee

If you have any queries on this report or wish to inspect any of the background papers, please contact R. Keeling on 020-7641-2280, fax 020-7641-3324, e-mail [rkeeling@westminster.gov.uk](mailto:rkeeling@westminster.gov.uk)

### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

#### **BACKGROUND PAPERS**

1. Report of Director of Finance to General Purposes Committee – 21 July 2004 – Accounts for the year ended 31 March 2004.
2. Statement of Accounts for 2003/04.
3. Technical Report by Vertex on the background to the reconciliation issues and proposals to improve processes and controls.
4. Letters of Representation.