

---

**Meeting:** Audit Committee  
**Date:** 12 April 2010  
**Subject:** 2009/10 Annual Accounts Progress Report  
**Report of:** Assistant Director - Finance  
**Summary:** The report provides information on progress made to date in the preparation of the 2009/10 annual accounts.

---

Contact Officer: Matt Bowmer, Assistant Director Finance  
Public/Exempt: Public  
Wards Affected: All  
Function of: Council

#### **CORPORATE IMPLICATIONS**

**Council Priorities:**

The completion of a successful annual accounts closure process will assist in providing evidence to the Audit Commission regarding the Use of Resources Assessment for the Council.

**Financial:**

No direct effects, although the exercise will help to provide information on Council balances and identify potential impacts on current spending.

**Legal:**

None

**Risk Management:**

None

**Staffing (including Trades Unions):**

None

**Equalities/Human Rights:**

None

**Community Safety:**

None

**Sustainability:**

None

**RECOMMENDATION(S):**

**that the Committee note the contents of the report**

**Background**

1. The Council is required to prepare its annual accounts for presentation to the Audit Committee by the 30 June.
2. To ensure a successful closure process, a third quarter closure was considered to be an important step to accelerate, as far as possible, a number of year-end and ongoing processes prior to the end of the financial year, thereby reducing the work that will have to be undertaken after 31 March.
3. There are also many potential accounting changes to consider in the short and medium term due to the implementation of the International Financial Reporting Standards.

**Third Quarter Close Progress**

3. As outlined in January's report on the Third Quarter Close Programme, the key emphasis of the third quarter close was to develop and embed year-end procedures, consolidate the balance sheets and supporting information from predecessor authorities and accelerate, where possible, a number of ongoing and year-end processes.
4. The commentary below describes the progress made in achieving the anticipated outputs of the exercise:

**a) Format of Accounts**

A draft Statement of Accounts has been produced for Central Bedfordshire, including the Housing Revenue Account transferred from South-Beds District Council and has been provided to the Audit Commission for review.

**b) The Core Financial Statements**

Within the Statement of Accounts the core financial statements have been prepared to ensure compliance with the Best Value Accounting Code of Practice and the 2009 Statement of Recommended Practice. These have been provided the Audit Commission for review.

**c) Statement of Accounting Policies**

A draft Statement of Accounting Policies has been produced that harmonises the practices adopted by the predecessor authorities. These have been provided the Audit Commission for review.

**d) Balance Sheet Disaggregation / Opening Balances**

The final disaggregation of the opening balance sheet is expected to be completed by the end of April. That part of the balance sheet that will transfer over to Central Bedfordshire plus the balance sheet values from Mid and South Bedfordshire will form the opening balances for the Council at 1 April 2009. The majority of the principals of the disaggregation have been agreed but some additional work is required to ascertain the final position of the 'run down' of the working capital of the County Council. Officers from Central Bedfordshire Council and Bedford Borough continue to work together to bring this to successful conclusion. The authority is in the process of identifying the areas that the Audit Commission can review at the earliest opportunity.

**e) Control and Suspense Accounts**

The original timescale for the completion of all control and suspense accounts to be reconciled to 31 December was the end of January. This work has yet to be completed for all control and suspense accounts.

**f) Support Services and Management Overheads**

The apportionment and allocation of support services and management overheads is crucial in determining the total cost of services. A fundamental review of support services has been undertaken and proposals will be taken to CMT in April for review and agreement.

5. External audit are being consulted over the process on an ongoing basis with a view to identifying any potential early audit work in relation to the 2009/10 closure.

**Full Year Closure**

6. The authority issued its closure timetable at the start of March 2010. This was supplemented by a comprehensive 'closure pack' that included full guidance and reporting templates requiring completion by budget managers. These packs have been sent to all senior management staff within the authority for review and action. Regular closure bulletins are distributed to budget managers to ensure that key messages over the closure programme are communicated.
7. Training has been provided by the Audit Commission to senior finance staff on developments in accounting practice. This will be supplemented by additional training to all finance staff that will emphasise the requirements of this year's closure process with the main focus being on the preparation of working papers and presenting robust audit trails to the accounts.
8. Regular meetings are taking place with the Audit Commission to discuss progress to date on final accounts and allow any emerging issues to be resolved.

## **International Financial Reporting Standards (IFRS)**

9. As previously reported to the January Audit Committee, the authority will be required to compile its Statement of Accounts for 2010/11 using IFRS regulations rather than the current UK Generally Accepted Accounting Practice. It should be noted that the authority will be required to restate its 2009/10 closing balances using IFRS regulations when it discloses its comparative figures in the 2010/11 Statement of Accounts.
10. The authority has commenced a wider review of these arrangements and this was being led by the Interim Chief Accountant. However, serious illness resulted in a prolonged absence due to ill health and this was followed by the news that he was unable to return to work due to ill-health reasons. This has prohibited the authority in making significant inroads into the wider implications of IFRS. However, a new Interim Chief Accountant has been appointed and the project can again be moved forward.
11. As a result, the authority has prioritised the revised requirements that will have an immediate impact upon the preparation of the 2009/10 accounts. This is in primarily in respect of the treatment of Private Finance Initiative arrangements. The details are outlined below:

**PFI projects**, which are covered within the 2009 SORP, and effectively bring PFI projects on to the Council's balance sheet. The Council currently has a PFI project for the improvement of 2 schools within mid-Bedfordshire at Harlington Upper School and Samuel Whitbread Community College, both of which have been granted Foundation School status and are therefore no longer owned by the Council. A detailed proposal of the accounting treatment of this arrangement has been provided to the Audit Commission for review.
12. The individual project teams dealing with IFRS issues have been established and are developing delivery plans to prepare for IFRS. As part of this process they are expected to report back to Corporate Resources Leadership Team in July 2010. A further report on IFRS will be taken to the next Audit Committee meeting.
13. The working groups are evaluating the longer terms implications and placing the emphasis on being able to understand the restatement requirements for the 2009/10 closing balances. Working groups have been established to cover the key areas including Annual Leave Accounting arrangements, Component Accounting and Leases. One of the early outputs from this process is requests for details of accrued leave being co-ordinated through HR in parallel to the workforce data collection exercise.

## **Conclusion**

14. Progress is being made in fulfilling the requirements of the Third Quarter Close, Full Year Close and responding to the new accounting arrangements caused by the implementation of IFRS.

## **Background Papers: (open to public inspection)**

None