

Date: 29 May 2007**Report:** DRAFT STATEMENT OF FINAL ACCOUNTS (SOFA) 2006/07**Purpose of report**

1. To provide members with a draft Statement of Final Accounts (SOFA) for 2006/07 including an analysis of movement between the Outturn presented to Finance and Resources Committee on 9 May 2007 and the Income and Expenditure Account within the SOFA.

Background

2. Provisional outturn figures and a preliminary draft SOFA were reported to the Finance and Resources Committee on 9 May 2007, where it was indicated that a completed draft SOFA would be presented to this Committee. At this stage the figures are still 'draft' as the outturn and accounts are subject to external audit. These accounts have been prepared by the Finance team in consultation with representatives of the Treasurer.

Statutory Purposes

3. The Accounts and Audit Regulations 2003 issued by the Secretary of State and which came into force on 1 April 2003 require the SOFA for the year ended 31 March 2007 to be approved by an appropriate Committee of each Local Authority body on or before 30 June 2007. Prior to Member approval, this SOFA has to be signed and certified by the relevant responsible Financial Officer (John Moore, as Treasurer), a signed copy of the accounts will be available at the meeting.

4. Following the signing of the accounts, the Draft SOFA will be subject to examination by the Audit Commission as the appointed Independent Auditor.

Statement of Accounts

5. A draft Statement of Final Accounts for the Yorkshire Dales National Park Authority, prior to signature by the Treasurer, is attached at Appendix A. The format and content of this document must comply with the CIPFA Code of Practice on Local Authority Accounting and is therefore largely outside the control of this Authority. This Code sets out the proper accounting practice required for the SOFA within the statutory framework of the Accounts and Audit Regulations 2003 and the Local Government and Housing Act 1989.

6. The accounts must comply with The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom; A Statement of Recommended Practice (SORP) and

this has been subject to significant revision in 2006/07. These changes have meant that the format of the accounts has a changed and the figures for 2005/06 have needed to be reanalysed to fit in with the new format. The Head of Finance and Resources and Senior Finance Officer have received specific training on this matter, which was provided to all English National Park Authority Staff at the successful Finance Officers Conference held at Yoredale in January 2007. The key changes are:

- The Revenue Account has been replaced by an Income and Expenditure Account and a Statement of Movement on the General Fund Balance
- The core statements are all presented together and the notes are combined
- The accounting treatment for the disposal of Fixed Assets has changed and Local Authorities are now required to disclose a 'gain' or 'loss' on disposal of Fixed Assets, based on the carrying value of the asset less the disposal costs.
- The requirement to charge 'notional interest' in addition to depreciation has been removed and the Asset Management Revenue Account is now defunct.

(Note: the 2007/08 SORP will introduce further changes to the Statement of Accounts which will primarily relate to Capital Reserves held on the Balance Sheet).

7. The National Park Finance Officers Conference also highlighted to the Audit Commission issues relating to the reporting required by DEFRA in accordance with the Financial Grant Memorandum and the format required by the Best Value Accounting Code of Practice (BVACOP). The result of this is that consultations have are nearing completion to develop a Service Expenditure Analysis for the CIPFA BVACOP specific to National Park Authorities. It is anticipated that this will be agreed for the 2007/08 Statement of Final Accounts.

8. The Statement of Internal Control has been submitted to Audit and Review Committee in February and that meeting recommended for signature by the Chair of the Authority. This document forms pages 7 to 11 of the draft SOFA.

9. The next step is for the Independent Auditor appointed by the Audit Commission to undertake the fieldwork required in order to produce the Audit Certificate; as this work is yet to start a number of pages of the draft SOFA attached have been left blank. Once audited in accordance with the Accounts and Audit Regulations 2003, the SOFA will include the required audit certificate. The wording of this certificate will be in the Statutory Format and will be inserted into the accounts once the audit work has been completed. Any material changes to the accounts as a result of the audit will be reported to this Committee by the 30th September 2007 in accordance with the Accounts and Audit Regulations 2003.

10. Members should note that the changes to the Accounts and Audit Regulations 2003 mean that work on the production of the Outturn and SOFA has been condensed into a three month period and as a result there is a greater reliance on estimation techniques. In parallel to this the implementation of International Auditing Standards has reduced the materiality level against which errors in estimation are judged. Therefore, the potential need to adjust the accounts between approval of the Draft and filing of the Final Accounts will become more likely.

Revenue Outturn for 2006/07

11. The day to day reporting arrangements of the Authority designed to fit in with its own organisational requirements, are different from the statutory year end accounting requirements in a number of areas. The expenditure figures that are reported on page 15 of the SOFA are therefore not directly comparable to the draft outturn figures that were reported to the Finance and Resources Committee on 9 May 2007, although both sets of figures were provided to that committee along with a reconciliation.

A reconciliation of the two sets of figures is therefore attached as Appendix B as follows:-

Column 2 Draft outturn figures as reported to Finance and Resources Committee on 9 May 2007

Column 3 Technical Adjustments required for compliance with the CIPFA code of practice, including:

- (i) reclassification of interest received.
- (ii) reclassification of revenue funding of items defined as capital expenditure
- (iii) reallocation of overhead costs in line with the principles of the Best Value Accounting Code of Practice (BVACOP).
- (v) pension adjustments to comply with FRS17 to replace pension payments made by the employer with the actual operating cost of providing retirement benefits.

Column 4 Expenditure totals as reported in the SOFA.

The Signing of the Statement of Accounts by the Chair of the Authority

12. A requirement of the Accounts and Audit Regulations 2003 (Regulation 10.3) is that following at the meeting of the Authority, the SOFA should be tabled to be signed by the Chair.

13. The intention behind the requirement is that the signature of the Chair should formally represent the completion of the Authority's approval process for the accounts. This specific requirement does not relate to the role of the Treasurer in certifying that the SOFA is a proper reflection of the Authority's financial position; this is achieved by the Treasurer certifying the SOFA on page 23. Rather, this requirement is comparable to practice within the private sector where the accounts are signed by the Managing Director (or equivalent) after being approved by the Directors.

14. To satisfy this requirement there is a note on the Balance Sheet at page 23 of the SOFA which states "I can confirm that these accounts were approved by the Yorkshire Dales National Park Authority on 29 May 2007". This note needs to be signed by the Chair of the Meeting.

Audit of Accounts

15. The external audit of Accounts by the Audit Commission is due to be undertaken; the outcome of the audit and the Audit Opinion will be submitted to the earliest possible meeting and will take place in time for the Authority to submit the audited accounts to DEFRA by the 31 October 2007 in accordance with the terms of the Financial Grant Memorandum.

16. Section 14 of The Audit Commission Act 1998 and regulations 14 and 16 of the Accounts and Audit Regulations 2003 require the Authority to notify the public via the local press that the accounts are open to inspection for a four week period. An inspection period between 4 June 2007 and 29 June 2007 has been arranged and, on or after the 2 July 2007 until the completion of the external audit, any member of the public is able to question The Audit Commission about the content of the accounts.

17. The Accounts and Audit Regulations require that any material amendments to the SOFA resulting from the audit be reported back to Members. Any such amendments will be reported to the Authority meeting prior to the 30 September 2007 deadline. As stated previously due to the preparation of the accounts within a shortened timetable it is more likely than in previous years that an amendment may be required.

18. The Authority has received notification from The Audit Commission that with effect from the financial year 2007/08 the appointed external auditors will be Deloitte Touche and that 2006/07 is the final year under the current contract arrangements where the Audit Commission will be conducting the audit themselves.

RECOMMENDATIONS

19. Members are recommended to
- approve the Draft Statement of Accounts for the Financial Year Ended 31 March 2007
20. Following this approval
- the Chair of the Authority should sign the accounts on page 23
 - the Chair of the Authority should sign the Statement of Internal Control on page 11

Irene Brannon
Senior Finance Officer

10 May 2007

Background Documents:

Best Value Accounting Code of Practice (BVACOP).

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom; A Statement of Recommended Practice (SORP)

Accounts and Audit Regulations 2003