

Committee: FINANCE AND RESOURCES**Date: 9 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 with an analysis of movement between the Outturn and the Income and Expenditure Account prior to submission to the Authority Meeting on the 29th May 2007.

Background

2. Historically, the Statement of Final Accounts has been submitted by the Treasurer direct to the Authority meeting for approval, without prior discussion by the members of the Finance and Resources Committee. It was requested that for 2006/07 a preliminary draft version of the Statement of Accounts be submitted to enable queries to be raised and investigated prior to submission of the draft SOFA to the full authority.

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.

4. Following this 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) which has been subject to significant revision in 2007/08. These changes have meant that the format of the accounts has changed and therefore that the figures for 2005/06 have

needed to be reanalysed to fit into this new format as comparative information. The Head of Finance & Resources and the Senior Finance Officer have received specific training on this provided to all English National Park Authority Staff who attended 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 (AMRA) is now defunct.

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

7. The National Park Finance Officers Conference also highlighted to the Audit Commission certain 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 begun with a view to developing 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 already been submitted to Audit and Review (9 February 2007) and recommended for signature by the Chair of the Authority at the meeting on 29 May 2007. This document forms pages 7 to 11 of the draft SOFA.

9. In the near future the Independent Auditor appointed by the Audit Commission will undertake the fieldwork required in order to produce the Audit Certificate; as this work has not yet commenced, a number of pages of the draft statement of accounts have been left blank. Once audited in accordance with the Accounts and Audit Regulations 2003, this document will include the required audit certificate.

10. Members should note that the changes to the Accounts and Audit Regulations 2003 mean that the production of the Outturn and SOFA has been significantly 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 submission of the Final Accounts will become more likely.

11. The Finance Section will be undertaking additional checks and reconciliations on the accounts as presented here in the period between the issue of this report and the Authority meeting, and any necessary adjustments will be reported accordingly.

12. There are a number of areas where it was not possible to complete the work within the four week time period between the 31 March 2006 and the submission of the report to this Committee; these include:

- the completion of some of the ancillary notes to the accounts

- the Cash-flow Statement (not included)
- Pension Fund data, as this has not been received from the actuaries of the North Yorkshire Pension Fund

Revenue Outturn for 2006/07

13. In a number of areas, the day to day reporting arrangements of the Authority that are designed to fit in with its own organisational requirements are different from the statutory year end accounting requirements. The expenditure figures that are reported on page 15 of the SOFA are therefore not directly comparable to the draft outturn figures that are reported elsewhere on the agenda of this meeting.

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

Column 2 Draft outturn figures as per Out-turn report

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; this data has not been included, as it has yet to be provided by NYPF.

Column 4 Expenditure totals as reported in the SOFA.

RECOMMENDATION

14. Members are requested to note the Statement of Final Accounts for the financial year ended 31 March 2007, which will be presented to the Authority on 29 May 2007 for approval and signature by the Chair of the Authority.

Irene Brannon
Senior Finance Officer

25 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