

Committee: FINANCE AND RESOURCES**Date: 9 May 2008****Report: DRAFT STATEMENT OF FINAL ACCOUNTS (SOFA) 2007/08**

Purpose of report

1. To provide members with the draft Statement of Final Accounts (SOFA) for 2007/08, with an analysis of differences between the Outturn and the Income and Expenditure Account, prior to submission of the SOFA to the Authority Meeting on the 27th May 2008.

Strategic Planning Framework

2. The information and recommendations contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework, and in particular its objective 'to manage all aspects of the Authority's business so as to make the most effective use of our resources' (Corporate Plan).

Background

3. Historically, the SOFA has been submitted by the Treasurer direct to the Authority meeting for approval, without prior discussion by the members of this committee. The purpose of this preliminary draft version of the SOFA is to give members the opportunity to raise any queries that they may have, and for these to be explained or investigated prior to submission of the Draft SOFA to the full authority.

Statutory Purposes

4. 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 2008 to be approved by an appropriate Committee of each Local Authority body on or before 30 June 2008. Prior to Member approval, this SOFA has to be signed and certified by the relevant responsible Financial Officer.

5. Following member approval, the draft SOFA will be subject to audit examination by Deloitte as the appointed Independent Auditor. Assuming that the resulting audit opinion is unqualified, these draft accounts will become the final accounts for the Authority for 2007/08.

Statement of Accounts

6. A draft SOFA for the Authority's accounting year 2007/08 is attached at **Appendix A**, prior to its signing by the Treasurer. The format and content of this document complies

with the “CIFPA Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP)” 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.

7. For 2007/08, the SORP requires a change to the way in which Fixed Assets are classified on the Balance Sheet, and this change includes a requirement to adjust the 2007/08 comparator figures. This adjustment has no practical impact on the income and expenditure of the Authority for the year concerned or on future spending.

8. The Best Value Accounting Code of Practice (BVACOP) now includes a specific Service Expenditure Analysis for National Park Authorities and the accounts have been prepared in accordance with that.

9. The Statement of Internal Control incorporated in the previous year’s accounts has been replaced by the Annual Governance Statement (AGS). This has been prepared in accordance with the approach approved by the Audit & Review Committee meeting on 2 November 2007 (‘Annual report on Corporate Governance’), with the actual content subsequently approved by the Audit & Review Committee meeting on 15 February 2008. The AGS will be signed by the Chair of the Authority at the Authority meeting on 27 May 2008; this document is included in the draft SOFA.

10. In the near future, Deloitte (the Independent Auditor appointed by the Audit Commission) will undertake the fieldwork required to produce the Audit Certificate; as this work has yet to start, a number of pages of the draft SOFA have been left blank. Once audited in accordance with the Accounts and Audit Regulations 2003, this document will include the required audit certificate.

11. Members should note that changes to the Accounts and Audit Regulations 2003 mean that the work on the production of the Outturn and SOFA has had to be condensed into a twelve week period. 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 is greater.

12. The Finance Section will be undertaking additional checks and reconciliations on the accounts as presented here in the period between the issuing of this report to the Finance & Resources Committee and the Authority meeting, and any necessary adjustments will be reported accordingly.

13. There are a number of areas which will require update as it was not possible to complete the work within the four weeks between the 31st March 2008 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)

Revenue Outturn for 2007/08

14. In a number of areas, the day to day reporting arrangements of the Authority are designed to fit in with its own organisational requirements, and so are different from the statutory year-end accounting requirements. The expenditure figures reported within the

SOFA are therefore not directly comparable to the draft Outturn figures that are reported to this Committee elsewhere on the agenda of this meeting.

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

Column 2 Draft outturn figures, Outturn 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 following the principles of the 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 adjustment had not been made at the date of this report, pending receipt of data from the North Yorkshire Pension Fund.

Column 4 Expenditure totals as reported in the SOFA.

RECOMMENDATION

16. Members are asked to note the draft SOFA for the financial year ended 31st March 2008, which will be presented to the Authority on 27^h May 2008 for approval and for signature by the Chair of the Authority.

Irene Brannon
Senior Finance Officer
24 April 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