

Audit Summary Report

October 2006



Final Accounts Memorandum

Sedgefield Borough Council

Audit 2005/2006

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

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Introduction

- 1 Sedgefield Borough Council is responsible for the preparation of:
 - financial statements that present fairly its financial position as at 31 March 2006 and its income and expenditure in the year then ended; and
 - A Statement of Internal Control in accordance with the provisions of the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice.
- 2 We are responsible for undertaking an audit and reporting whether in our opinion the Authority's financial statements do present fairly its financial position and to report any inconsistencies with the disclosure made by the Authority within its Statement of Internal Control.

Background

- 3 The Authority approved a draft statement of accounts during June 2006 and submitted them to us for audit. We have now completed our audit of these statements.
- 4 This report discloses all issues arising from the final accounts audit. A separate Annual Governance Report was presented to Members in September 2006, which covers those issues that we decide need bringing to members attention and includes our opinion and VFM Conclusion.

Audit approach

- 5 It should be noted that our audit does not seek either to obtain absolute assurance that the financial statements present fairly your financial position or assurance that they are accurate in every regard. We have planned and conducted our audit so as to identify any material errors in your financial statements that might distort the interpretation of the statements. We also consider any items that we deem to be politically or numerically sensitive.

Main conclusions

- 6 Our overall conclusion is that the financial statements present fairly the financial position of the Authority and we gave an unqualified audit opinion on 29 September 2006. Some issues were raised during the audit and are detailed in Appendix 1.

Acknowledgements

- 7 We would like to take this opportunity to thank your staff for their assistance during our audit visit and their work on ensuring that good quality working papers were provided to us.

Appendix 1 – Final accounts issues arising

Matter arising	Suggested action
Note 1.1 in the Statement of Accounting policies refers to SSAP 2 which has been superseded by FRS18.	The Statement of Accounts has been amended.
The bank reconciliation included a variance of £6648.	This variance was investigated by SBC Officers and no amendments were required to the Statement of Accounts.
There were casting errors in the Statement of Total Movement in Reserves.	The Statement of Total Movement in Reserves has been amended in the Statement of Accounts.
The Statement of Total Movement in Reserves requires a note for the last 3 years to be included regarding the actuarial gains and losses. The note in the draft statement was for two years only. (Sorp paragraph 4.33, page 64)	The Statement of Accounts is to be revised with effect from 2006/07.
There were a number of inconsistencies in the presentation of the Cash flow statements when compared with the information contained in the other financial statements amounting to £54,000 in total.	The Cash Flow Statement in the Statement of Accounts has been amended and a revised approach agreed for 2006/07.