

AUDIT COMMITTEE

25 SEPTEMBER 2008

2007/2008 EXTERNAL AUDIT REPORT

Report from: Mick Hayward, Chief Finance Officer

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Summary

This report considers the issues raised by the Council's external auditors following the 2007/2008 audit.

The Accounts and Audit Regulations 2003 require that Committee consider these issues prior to 30 September.

1. Budget and Policy Framework

- 1.1 The Audit Commission's Code of Audit Practice and International Standard of Auditing (ISA 260) requires the results of the audit to be reported to those charged with governance. This Committee has been delegated with the responsibility for considering these reports and agreeing the Council's response. In addition, the Committee, on behalf of the Council, must explain reasons for not adjusting the Statement of Accounts for the issues raised within the auditor's report, albeit in this instance there are no such unadjusted issues.
- 1.2 This report needs to be considered as a matter of urgency as the Accounts and Audit Regulations 2003 (as amended) require that Committee consider these issues prior to 30 September.

2. Background

- 2.1 The draft Statement of Accounts for 2007/2008 was considered and approved by this Committee on 26 June. At that stage the accounts were subject to final verification and Members were advised that any proposed changes as a result of the audit would be reported at a later stage. This is the first year that PKF have undertaken this audit.

3. Auditors Report 2007/2008

- 3.1 For completeness, PKF's report is attached at Appendix 1 and contains: --
 - its report on the Financial Statements (and the Annual Governance Statement which is considered elsewhere on the agenda).

- its report on the Use of Resources
- associated appendices.

3.2 The Council's response to the issues identified, as proposed by officers, is included in the appropriate areas of the document.

4. Financial Statements

4.1 The executive summary of PKF's report states that an **unqualified** audit opinion will be issued in relation to the financial statements. The main issues arising from the audit are summarised in paragraphs 4.2 to 4.5 below.

4.2 Testing of transactions and balances. The following matters have arisen:-

4.2.1 **Capital Creditor** As at 31 March 2008, there was an ongoing dispute with the contractor responsible for carriageway works to the A228. An agreement was reached with the contractor in May of this year requiring the Council to pay outstanding amounts of £2.6m in June and £1m in April 2009. These sums were not recorded in the 2007/2008 accounts and the amount involved (£3.6m) has been included in the revised accounts.

4.2.2 **LATS Trading Scheme** The council is awarded, and uses, allowances in respect of the volumes of waste taken to landfill. These allowances are treated as assets, which can be traded, and the value of which must be reflected in the final accounts. The Council had valued these at £10 per tonne but, subsequent to the closure of accounts, DEFRA issued a guideline figure of £5 per tonne. The impact of this revaluation has now been included.

4.2.3 **Fixed Assets** The recently introduced LOGOTECH asset management system is used to record the value of the Council's assets and calculate depreciation on those assets. The audit has revealed a number of items that, due to the way they were recorded, have not been depreciated. This will be addressed during 2008/2009 by completing a detailed analysis of the register.

4.2.4 **NNDR Bad Debt** Bad debts in respect of non-domestic rates are covered by the NNDR pooling arrangements and are not a charge to the Council. However, this does not give a true picture of the bad debt provision in the accounts, which have been adjusted accordingly.

4.2.5 **Receipts in Advance** A receipt in advance of £345,000 from the Learning Skills Council was incorrectly classified in the balance sheet. This has now been corrected.

4.2.6 **Social Services Bad Debt** There is no adjustment to the 2007/2008 accounts but a more systematic method of calculation has been agreed for adoption from 2008/2009.

4.2.7 **Housing Benefit Overpayments** As in previous years, the Council has not included a debtor in respect of these overpayments on the basis that they are very difficult to collect and therefore a prudent approach is adopted. However, further work will be undertaken to establish whether a sound basis can be identified to allow for the future recovery of these debts in the 2008/2009 accounts.

4.3 Adequacy of Disclosures. The following matters have arisen:-

4.3.1 **Leases** Recommended practice now requires extensive disclosures in respect of both finance and operating leases. Officers have agreed to prepare these in future years.

4.3.2 **Related Party Transactions** Returns are sent to all members to collect this data. However, the response rate for 2007/2008 was poor and arrangements will need to be strengthened for 2008/2009.

4.4 Unadjusted misstatements

4.4.1 There are no unadjusted non-trivial misstatements to be reported.

4.5 Accounting and Internal Control Systems

4.5.1 The audit has concluded that the Council's key financial systems are adequate and no significant control weaknesses affected its conclusions.

4.5.2 Internal Audit of the creditors system is referred to but officers are satisfied that the issues raised have been properly addressed. Some duplicate payments were identified but these were very small in number compared to total activity and were generally attributable to 'local' failings rather than any shortfall in corporate systems or controls. The Internal Audit opinion for this piece of work was that the level of control exercised was 'satisfactory'.

4.5.3 A separate internal audit report identified two schools where weaknesses in financial procedures were identified. These have now been addressed and Internal audit's risk based plan for 2008/09 includes follow up work on the 2007/08 schools programme with a further allocation of time for risk based activity on school issues.

4.6 Adjustments to Financial Statements

4.6.1 Attached at Appendix 2 are the main financial statements, as adjusted to reflect issues arising during the audit. The changes are as follows:-

- **Income and Expenditure Account** The deficit for the year has increased by £236,000 as a result of the change in valuation of landfill credits (see Para. 5.2.2). This entry is reversed out in the Statement of Movement on the General Fund Balance and therefore does not affect the General Fund balance as at 31 March 2008.
- **Balance Sheet** The 'Net Worth' of the council has decreased by £506,000, due to a reduction of £236,000 in the Landfill Credit Reserve (see Para. 5.2.2) and a reduction of £270,000 in capital reserves as a result of the creditor adjustment (see Para. 5.2.1).
- **Movement on Reserves** As outlined above the audit adjustments have decreased total reserves by £506,000 from £812.388m to £811.882m

5. **Use of Resources**

5.1 The report concludes that the Council had adequate arrangements in place during 2007/2008 to secure economy, efficiency and effectiveness in its use of resources. This conclusion covers all twelve criteria.

6. **Management Representations Letter**

6.1 To comply with regulations, the Chief Financial Officer of each local authority must provide the external auditors with a signed declaration which supports their work in relation to the audit of the annual accounts.

6.2 The draft Management Representations Letter is attached at Appendix B of the PKF report and the Committee is required to consider the content of the letter in the context of the issues raised in this report. Once agreed, the letter will be submitted to PKF.

7. Financial and Legal Implications

7.1 The financial implications are contained within the body of the report.

7.2 Auditors are required to comply with the Statement of Auditing Standards, and thus provide an opinion on the Council's Statement of Accounts.

8. Audit Completion

8.1 Due to ongoing work into complaints from local electors PKF have indicated that the audit certificate cannot be given on 30 September but a revised date of 31 of October is anticipated.

9. Recommendations

9.1 That Committee notes the issues raised by PKF, as presented in Appendix 1, and the proposed response as set out at Appendix A to the PKF report and summarised in the body of this report.

9.2 That Committee agree the changes to the Statement of Accounts as set in paragraph 4.6 of this report and reflected in the amended sections of the Statement of Accounts set out at Appendix 2.

9.3 That Committee agree the Management Representations Letter, attached at Appendix B of the PKF report.

Background papers

Medway Council's draft statement of accounts for 2007/2008
Report on Draft Statement of Accounts to this Committee 26 June 2008

Lead Officer Contact:

Mick Hayward: Chief Finance Officer



Accountants &
business advisers

Medway Council

Report to those charged with governance

September 2008

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

1 Executive Summary

- 1.1 This report summarises the results of the work completed to date for the 2007/08 financial year and is presented to Members of Medway Council in accordance with the provisions of International Auditing Standard 260 (ISA 260), which requires us to communicate our audit findings to “those charged with governance”, prior to issuing our opinion on your Statement of Accounts and our conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness in your use of resources (our VFM conclusion).

Findings and conclusions

- 1.2 A summary of audit findings and conclusions is included in the table below.

Area of audit	Findings & Conclusion
Accounts	
Key financial systems	<p>The key financial systems are adequate as a basis for preparing the financial statements. We identified weaknesses in controls operating within the creditors systems and considered weaknesses in financial controls highlighted by the work of Internal Audit at Medway’s schools. Accordingly, we completed additional work before finalising our audit opinion on the financial statements.</p>
Statement of Accounts	<p>The accounts presented to the Audit Committee on 26 June 2008 were incomplete in that the Annual Governance Statement (AGS) had not been prepared for Members’ review. We were provided with the AGS on 11 September and our review of supporting information remains in progress. We will update the Audit Committee on the outcome of this work at its meeting on 25 September 2008.</p> <p>We identified one material error involving expenditure of £3.6 million on the Council’s highways which had been excluded from the accounts. Officers made the necessary adjustments to the Council’s Income and Expenditure account, Balance Sheet and financing notes.</p> <p>Our testing of transactions and balances highlighted areas of the accounts where disclosure could be enhanced and some other immaterial errors. Officers have amended the accounts accordingly. Some disclosure notes have not been included in the accounts which means the Council does not fully comply with the Statement of Recommended Practice (the ‘SORP’). The disclosures involve the Council’s leases and the value of net assets attributable to the Housing Revenue Account and the General Fund. Appropriate disclosures should be made in future years.</p> <p>We also asked officers to include more detail in the notes to the accounts about arrangements for recovering overpayment of housing benefit and to review the accounting practice followed in future years.</p> <p>Arrangements for obtaining information from Councillors for Related Party Transactions should be improved. Thirty-two of Medway’s 55 Councillors did not respond to officers’ requests for information.</p> <p>Some information required to complete our audit remains outstanding at the time of drafting this report. We will update the Audit Committee on the status of this work when it meets on 25 September 2008.</p> <p>Subject to the satisfactory completion of outstanding work, we anticipate issuing an unqualified opinion on the Statement of Accounts.</p>

Area of audit	Findings & Conclusion
Use of Resources	
Use of resources judgements	We have completed the initial phase of our use of resources judgements to assist with the provision of the VFM conclusion. At this stage, we are satisfied the Council continues to demonstrate it has at least adequate arrangements in place and our use of resources judgements do not suggest we should qualify our VFM conclusion.
Data Quality	Management arrangements in place for data quality are “adequate” for VFM conclusion purposes.
Best Value Performance Plan	We issued an unqualified opinion on the 2007/08 BVPP on 19 December 2007.
VFM Conclusion	Based on the work undertaken to date we expect to issue an unqualified VFM conclusion.
Audit Completion	Because of work which remains in progress into complaints from local electors, our audit certificate cannot be given on 30 September 2008.

Acknowledgement

- 1.3 We would like to thank the staff of the Council for the co-operation and assistance provided to us during the audit.

2 Introduction

- 2.1 Our Annual Audit and Inspection Plan for 2007/08 outlined the work we would be carrying out at Medway Council (the Council) in order to meet our responsibilities under the Audit Commission's Code of Audit Practice.
- 2.2 This report summarises the results of audit work completed to date in respect of the Council's Statement of Accounts and the its arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 2.3 Our report is presented to Members in accordance with the provisions of International Auditing Standard 260 (ISA 260) which requires us to report certain matters to "those charged with governance", prior to issuing our opinion on the Statement of Accounts and our conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness in your use of resources.

Findings

- 2.4 Detailed recommendations in response to the key findings identified by our audit are provided in the action plan at Appendix A. These recommendations have been discussed with Officers and responses are included as appropriate.
- 2.5 In this report we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and control systems but only those matters which have come to our attention as a result of the audit procedures performed. We have only restated recommendations previously raised by Internal Audit if, because of their significance, we consider they warrant reinforcement.

Status of our report to the Council

- 2.6 This report has been prepared for Members' and Officers' information only and is not intended to include every matter that may have come to our attention. We accept no responsibility for any reliance that might be placed on it for any purpose by third parties, to whom it should not be shown without our prior written consent.

Independence

- 2.7 We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditor and that our independence declaration, included in the Annual Audit and Inspection Plan 2007/08, has remained valid throughout the period of the audit.

3 Accounts

Requirements

- 3.1 The Council is required to publish an audited Statement of Accounts in accordance with proper practices as set out in CIPFA/LASAAC's Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (SORP). The Chief Finance Officer is responsible for the preparation of the accounts in accordance with the SORP.
- 3.2 The Code of Audit Practice requires us to provide an opinion on whether the Statement of Accounts presents fairly the financial position of the Council and its income and expenditure for the year, and whether it has been properly prepared in accordance with appropriate legislation.

Systems, risks and materiality

- 3.3 In carrying out this work we consider:
- the extent to which your accounting and internal control systems are a reliable basis from which to prepare the accounts
 - the robustness of your accounts preparation processes.
- 3.4 In carrying out this review, we considered the environment within which those controls operated and evaluated specific controls that respond to significant risks. Following our evaluation, we assessed whether we should place reliance on particular controls and where reliance was placed, we conducted testing of the relevant controls.
- 3.5 Your key financial systems are:
- Main Accounting System
 - Cash and bank
 - Payments and creditors
 - Income and debtors
 - Payroll and employment costs
 - Information technology
 - Council tax
 - Housing and council tax benefits
 - NNDR
 - Housing rents income
 - Investments and investment income
- 3.6 We also consider the risk of material misstatements, including the risk of fraud and error, which may have an impact on our opinion. This requires us to:
- review the adequacy of the financial systems for accounting for transactions
 - review internal controls that are designed to prevent, or detect and correct, misstatements in the accounts
 - review the arrangements for preparing the Statement of Accounts
 - select and test transactions and balances, including review of significant balances against expectations and substantiate individual items
 - assess the significant estimates and judgements made by officers in preparing the accounts
 - consider the adequacy of presentation and disclosures included in the Statement of Accounts.

Reporting to those charged with governance

- 3.7 In accordance with the requirements of auditing standards, auditors are required to communicate relevant matters relating to the audit to “those charged with governance”.
- 3.8 In particular we are required to report:
- qualitative aspects of accounting practices and financial reporting
 - final draft letter of representation to be agreed by management and those charged with governance
 - unadjusted misstatements
 - expected modifications to the audit report
 - material weaknesses in accounting and internal control systems identified during our work
 - matters required to be communicated by other ISAs
 - any other audit matters of governance interest.
- 3.9 Our comments in each of these areas are set out below:

Accounting practices and financial reporting

Application of accounting policies

- 3.10 The key changes introduced by the 2007 SORP were:
- the introduction of a revaluation reserve, with a “Year 1” nil opening balance
 - the introduction of the Capital Adjustment Account which replaces the Fixed Asset Restatement Account and the Capital Financing Account
 - the introduction of Financial Reporting Standards 25, 26 and 29 relating to the accounting treatment for financial instruments
- 3.11 The Council has dealt with the implementation of these changes well and no matters arose from our audit work.

The accounts preparation process

- 3.12 We worked closely with officers to ensure we understood the Council’s approach to producing the annual accounts in completing our audit of Medway for the first time. We prepared a detailed schedule of documents and other working papers needed to complete our audit work and shared this with officers. The process generally worked well though unsurprisingly, there are opportunities to strengthen our joint working arrangements. We will work with the Chief Finance Officer and his team to ensure lessons learned from our first year of auditing the Council’s accounts and its financial systems fully inform our approach in future years.
- 3.13 The Annual Governance Statement (AGS) was made available to us only on 11 September 2008 and our review of the supporting documentation, such as the Council’s review of Internal Audit effectiveness required by the Accounts and Audit Regulations (2003, as amended 2006) remains in progress. The Council should ensure the AGS and supporting information is available for external audit to review in a more timely way.

Testing of transactions and balances

- 3.14 As part of our audit, all material balances were subject to testing. The following matters have arisen from our work which we bring to your attention:

Capital creditor – omitted balance £3.6 million

- 3.15 We performed 'cut-off' testing to ensure expenditure incurred by the Council was accounted for in the correct financial year. We found one invoice (value £2.6 million) and further commitments (value £1 million) amounting to £3.6 million which related to services provided before 31 March 2008. The expenditure involved works on the Council's highways undertaken by an external contractor. The impact of this error has been to materially understate the Council's assets and liabilities by £3.6 million. The expenditure has been financed from a number of sources including capital reserves and Section 106 contributions. Officers have made the necessary adjustments to the capital financing notes contained in the accounts.

Landfill Allowance Trading Scheme (LATS) – Income and Expenditure and Current Asset

- 3.16 The Landfill Allowance Trading Scheme was implemented by the Department of Environment, Food and Rural Affairs (DEFRA) for accounting periods commencing after 1 April 2006. DEFRA issues landfill allowances to waste disposal authorities (WDAs) though authorities need to account for the allowances as a government grant at a 'fair value'. The grant is initially recognised as deferred income in the Council's balance sheet and is recognised in the year DEFRA has issued the allowances. As WDAs use landfill, a liability is created in the accounts equal to the landfill usage. The liability is settled through the use of the Council's allowance and when this is exhausted, through payments to DEFRA.
- 3.17 In 2007/08 the Council did not need to use its accumulated allowance and an asset was included in the balance sheet. The value of the asset is uncertain because local authorities do not know the extent of any penalty payment due or the traded value of the asset until after the accounts are produced. Accordingly, estimation techniques are used based on previous experience in the expectation the accounts may need to be adjusted for all LATS transactions when DEFRA publishes the actual value of the allowance.
- 3.18 In 2007/08, the value of the allowance published by DEFRA was £5.00 per tonne while the Council had estimated the value to be £10.00 per tonne, which was a reasonable estimate to make. Officers have made the following adjustments to the accounts in the light of the information now received from DEFRA and to correctly classify the transactions on the balance sheet:

Balance Sheet		£	£
Intangible Assets	Reduced – incorrect classification	(1,018)	
Current Assets	Increased – corrected classification from intangible assets and reduced value (from £10 per tonne to £5 per tonne)		509
Current Liabilities	Reduced value	(274)	
Reserves	Reduced value	(235)	

- 3.19 The income and expenditure account was also adjusted to reflect the difference between the opening and closing balance of allowances held. This adjustment amounted to £100,000 and represents a reduction in the earmarked reserve held for the allowances.

Fixed asset depreciation – value immaterial

- 3.20 The Council maintains a register of all assets where the value exceeds £10,000. In 2007/08, new software known as 'Logotech' was implemented to maintain the fixed asset register. The software is designed to produce all the entries needed to prepare the annual accounts.
- 3.21 Our work showed that a number of assets amounting to £1 million in value had not been depreciated in accordance with the Council's policies. This means fixed assets are overstated and depreciation understated though the amounts involved are not material. We recommend the Council undertakes a detailed review of the fixed asset register to ensure all assets are depreciated in accordance with its stated policies.

Balance Sheet Note 20 (Debtors): Additional disclosure - NNDR bad debt provision - £638,000

- 3.22 As in previous years, the Council did not separately disclose the value of its bad debt provision for National Non-Domestic Rates (NNDR) in the notes to the Balance Sheet, accounting for the debtor on a net basis. Officers have adjusted Note 20 of the balance sheet to disclose the value of the bad debt provision and the gross value of the NNDR debtor. There is no impact on the financial position of the Council or the face of the Balance Sheet.

Receipts in advance - £345,000

- 3.23 The Council incorrectly included income of £345,000 received from the Learning Skills Council in the 2007/08 accounts. Officers have amended debtor and creditor balances accordingly and there is no effect on the financial position of the Council.

Social Services bad debts £106,000

- 3.24 The collection of debts for social care services can be complex and the Council is often presented with difficult circumstances. In 2007/08, the Council established a full provision amounting to £106,000 for debts incurred by customers in residential care who died in the year. The Council has now put in place a more systematic approach to consider such cases and the merit of recovering debts from the estates of such individuals.

Housing Benefit Overpayments – Note 20 (£3.4 million)

- 3.25** As in previous years, the Council has not included the value of housing benefit overpayments in its debtor balances. In officers judgement, these amounts are difficult to collect and should be fully provided for. The position is disclosed as a note to the accounts (note 20) and highlights that in 2007/08, such overpayments amounted to £3.4 million. Income of some £764,000 was collected in the year and income of £841,000 is forecast for the 2008/09 year. The Council should review the practice of excluding housing benefit overpayments from its debtor balances and look to include such amounts in the 2008/09 accounts.

Adequacy of disclosures**Compliance with Statement of Recommended Practice (SORP)**

- 3.26 We found two areas where the Council did not fully follow the 2007 SORP in the detailed notes to the accounts:
- no details have been provided about the operational leases the Council has entered into (as a lessee or lessor). Officers have agreed to undertake work to ensure the SORP is fully complied with in preparing the 2008/09 accounts
 - a full analysis of net assets into values of those that are attributable to the Housing Revenue Account and those for the General Fund has not been provided. Officers have agreed to look into this matter further when the 2008/09 accounts are prepared.

Related party transactions

- 3.27 The disclosures required on related party transactions were not provided by 32 of Medway's 55 Councillors for inclusion in the 2007/08 accounts. Officers undertook work to examine the Council's registers of interests to ensure relevant transactions were identified. The Council should strengthen arrangements for collecting the information necessary for inclusion in the 2008/09 accounts and future years.

Letter of representation

- 3.28 The draft letter of representation has been attached as Appendix B. We do not anticipate any changes being required in resolving outstanding issues before providing our opinion on the Council's Statement of Accounts.

Unadjusted misstatements

- 3.29 There are no non-trivial misstatements which have not been adjusted in the final accounts being presented to you today.

Audit report

- 3.30 At the time of drafting this report we are proposing to issue an unqualified opinion on the Statement of Accounts in accordance with the statutory deadline of 30 September. However, there is one outstanding matter on the audit which could have an impact on our proposed audit report:

- our work on the Annual Governance Statement and review of supporting evidence.

- 3.31 We will provide an update on these matters to the Audit Committee.

Accounting and internal control systems

- 3.32 We have reviewed the key financial systems in place across the Council, which contribute to the preparation of a materially accurate Statement of Accounts, to assess the extent to which we can place reliance on them for this purpose.

- 3.33 Under Auditing Standards we also have a responsibility to give specific consideration to the potential risk of material misstatement in the Statement of Accounts due to fraud and error, including the risk of fraudulent financial reporting.

- 3.34 The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect material fraud and corrupt practices lies with management and those charged with governance.

- 3.35 Our approach to the audit of the financial systems has involved considering key control areas for each system and satisfying ourselves they are operating as intended and are sufficient to prevent material misstatements within the Statement of Accounts. In assessing the reliability of systems as a basis for providing financial information, systems notes were prepared for each financial system and we have evaluated the controls within those systems, with particular focus on assessing whether the controls in place to mitigate significant risks are suitably designed and operating as intended to meet their objective.

- 3.36 Where possible, we have placed reliance on Internal Audit's work and thereby avoided unnecessary duplication of audit effort. To ensure this approach was valid, we have undertaken the following work:

- reviewed Internal Audit's working papers and reports
- considered the robustness of the key financial systems on the evidence of this work
- relied on Internal Audit's evaluation of controls and re-performed a sample of its testing of the effectiveness of controls, to ensure that its conclusions are soundly based

- considered Internal Audit's review of the effectiveness of internal control.
- 3.37 In order to identify the fraud risks, and the controls you have put in place to mitigate those risks, we have:
- discussed your anti fraud and corruption arrangements with officers and those charged with governance
 - considered the extent to which the work of Internal Audit is designed to detect material misstatements in the accounts arising through fraud
 - made inquiries regarding instances of actual fraud you have identified
 - written to the Chair of the Audit Committee.

Conclusion

- 3.38 The Council's key financial systems are generally adequate as a basis for preparing the Statement of Accounts and no significant control weaknesses affected our audit conclusions.
- 3.39 The following control weaknesses were noted that should be addressed by management and which required additional audit effort before finalising our opinion on the Statement of Accounts.

Creditors system

- 3.40 Internal audit's work on the creditors system concluded control account reconciliations had been completed in a timely way but the audit trail of adjustments made needed to be improved. We undertook some additional work (testing of transactions) because certain officers were able to input and authorise invoices. Our additional work on the creditors systems was completed satisfactorily.
- 3.41 Work undertaken by officers identified that 13 duplicate payments (from a total population of more than 120,000 transactions) were made in the year with a total value of £62,000. Officers have contacted the creditors involved and recovered about £48,000 involving nine of the duplicate payments. Further work is being undertaken to recover the residual balance of £14,000 (involving four duplicate payments). Officers have decided to look into payments made in earlier years and appointed an external consultant on the basis that payment will only be made to the contractor if further duplicate payments are identified and successfully recovered.

Schools balances

- 3.42 Work completed by Internal Audit on internal controls and financial systems operating at ten schools identified some significant weaknesses in financial controls. These weaknesses were communicated to the relevant schools although no follow up work has been completed to ensure recommendations were implemented and improvements made. We performed some extended testing on the balances and associated financial transactions recorded in the year-end accounts submitted by schools.

Matters required to be reported by other auditing standards

- 3.43 There are no other matters arising from our work that we are required by other auditing standards to bring to the attention of those charged with governance.

Other audit matters of governance interest

Annual Governance Statement (AGS)

- 3.44 In June 2007 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published Delivering Good Governance in Local Government: Framework. This framework, and the accompanying guidance notes, replaces the previous CIPFA/SOLACE framework, Corporate Governance in Local Government – A Keystone for Community Governance: Framework, which was published in 2001.
- 3.45 The framework applies to all local government bodies and is directly relevant to a number of use of resources Key Lines of Enquiry (KLOE), in particular the three internal control KLOE.
- 3.46 Of particular importance is the introduction through the CIPFA/SOLACE framework, from 2007/08, of an integrated “annual governance statement”. This subsumes the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment)(England) Regulations 2006) for the production of a statement on internal control (SIC).
- 3.47 The framework reflects the Commission's own definition of corporate governance as:
*“... about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.
It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.”*
- 3.48 The Council has a responsibility to publish a Governance Statement, including the outcome of a review of its effectiveness, with its 2007/08 Statement of Accounts.
- 3.49 At the time of preparing this report we have only just received the first draft of the AGS and supporting evidence. Our work remains in progress and we will provide an update to the Audit Committee on these matters.
- 3.50 The Council needs to ensure that, in future years, it has made appropriate arrangements for producing the AGS and any supporting reviews, such as the review of internal audit effectiveness required by the Accounts and Audit Regulations (2003, as amended in 2006), in a more timely way.

4 Use of Resources

- 4.1 The Audit Commission's Code of Audit Practice requires us to be satisfied that proper arrangements have been made by the Council to secure economy, efficiency and effectiveness in the use of resources (value for money).

Value for money conclusion

- 4.2 Our VFM conclusion is based on considering the results of the Use of Resources Key Lines of Enquiry (KLoE) assessment and the results of the Data Quality management arrangements (Stage 1) assessment. The conclusion also draws on the results of local risk based audit work, as well as consideration of the Council's processes underpinning its review of the effectiveness of its controls as described in the Annual Governance Statement.
- 4.3 The Use of Resources KLoE assessment work has been sufficiently completed to enable the delivery of the VFM conclusion and will be finalised in November 2008, as required by the Audit Commission's timetable for quality assurance. A detailed report of findings will be provided to Officers later in the year.
- 4.4 The Data Quality management arrangements assessment has been sufficiently completed to enable the delivery of the VFM conclusion and we will report the outcome of our data quality work in October 2008, as required by the Audit Commission's timetable. A detailed report of findings will be provided to Officers at that time.
- 4.5 This work contributes to forming our overall conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of resources, as audited bodies are required to reach the expected minimum requirements in each of the Audit Commissions 12 VFM conclusion criteria to achieve an unqualified opinion.

Proposed conclusion

- 4.6 Based on the work undertaken to date we expect to give an unqualified VFM conclusion. A draft conclusion is included in Appendix D. We will provide a verbal update to the Audit Committee on 25 September 2008.

Statutory report on the 2007/08 Best Value Performance Plan

- 4.7 The audit of the Best Value Performance Plan 2007/08 ("BVPP") was completed in 2007 and we reported that the Council had prepared and published its BVPP in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government. An unqualified opinion was issued on 19 December 2007.
- 4.8 No recommendations have arisen from this work.

5 Fee information

5.1 We are required to disclose an analysis of the planned and actual audit fees for the year and provide an explanation for any significant variations for each element of our work.

5.2 The planned audit fees were set out in the Annual Audit and Inspection Plan 2007/08 and are shown with the actual fees below:

Audit plan 2007/08	Planned fees £	Actual fees £
Code of Audit Practice		
Accounts	222,000	222,000
Use of Resources	73,000	73,000
Total audit	295,000	295,000
Grants (estimate)	30,000	30,000
Total	£325,000	£325,000

5.3 A number of the grant claim audits are currently in progress or do not require certification until 31 December 2008 and therefore the actual fee remains an estimate of the expected final position.

Appendix A: Recommendations arising from our audit

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
Financial Accounts					
<p>Audit arrangements</p> <p>There are opportunities to strengthen our joint working arrangements with the finance team as the accounts are produced and our annual audit commences.</p>	<p>We will work with the Director of Finance and his team to ensure lessons are learned from our first year of auditing the Council's accounts and its financial systems and fully inform our approach in future years.</p>	Medium	Agreed	Medway Finance / PKF	Feb – July 2009
<p>Year end creditors</p> <p>We found transactions amounting to £3.6 million which related to services provided before 31 March 2008.</p>	<p>Closedown procedures should be strengthened to ensure all creditors are identified and accounted for.</p>	Medium	<p>Significant guidance is already given to budget managers on the importance of accurate year-end accruals. However, it will be reinforced that the need for accurate capital accruals is not diminished by the ability to roll forward funding. More detailed explanations for variances between capital forecasts and outturn will be sought.</p>	Directorate Finance Managers	April / May 2009
<p>Fixed assets</p> <p>A review of the Council's asset register (Logotech) showed that a number of assets amounting to £1 million in value had not been depreciated in accordance with the Council's policies.</p>	<p>The Council should undertake a detailed review of the fixed asset register to ensure all assets are depreciated in accordance with its stated policies.</p>	Medium	Agreed	Medway Finance / PKF	Feb – July 2009

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<p>Housing benefit overpayment debtors</p> <p>As in previous years, housing benefit overpayment debts have not been included in the accounts. Income is recorded in the Council's accounts for in the year as it is received.</p>	<p>The Council should ensure debtors for housing benefit overpayments are fully accounted for with appropriate bad debt provisions being made in accordance with its accounting policies.</p>	<p>Medium</p>	<p>Further work will be undertaken to establish whether a sound basis can be identified to include these debts in the 2008/2009 accounts.</p>	<p>MRBS Manager</p>	<p>Sept 2008 – December 2008</p>
<p>Social services debts</p> <p>The Council has a number of aged debtors in respect of Adult Social Care services. Some are significant and relate to deceased residents.</p>	<p>The Council has introduced a more systematic approach to reviewing the collectability of social services debtors and should review progress in 2008/09.</p>	<p>Medium</p>	<p>Of around £1.6 million debt considered overdue (> nine weeks) £642,000 is secured under a legal charge, £340,000 is awaiting estate settlement and £228,000 is awaiting a house sale but with no legal charge. Of the remainder around £300,000 is less than six months overdue, leaving a fairly immaterial balance representing the highest risk of non-recovery.</p> <p>Debt monitoring and write-off procedures have been improved and a more sophisticated methodology for calculating the bad debt provision is being developed.</p>	<p>Finance Manager (Social Care)</p>	<p>March 2009</p>

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<p>Related party transactions</p> <p>The disclosures required on related party transactions were not provided by 32 of Medway's 55 Councillors for inclusion in the 2007/08 accounts. Officers undertook work to examine the Council's registers of interests to ensure relevant transactions were identified.</p>	<p>The Council should strengthen arrangements for collecting the information necessary for inclusion in the 2008/09 accounts and future years.</p>	Medium	<p>The requests to members will be issued in March 2009 to give additional time to ensure that a full set of returns are achieved</p>	Accounting Manager	March 2009
<p>SORP compliance</p> <p>We have noted the following SORP compliance disclosures were omitted from the accounts</p> <ul style="list-style-type: none"> Leases – disclosures in respect of the leases (where Council is the lessee or lessor), Net assets – note of the net assets attributable to the HRA and General Fund. 	<p>The Council should complete a detailed review of its disclosures against the requirements set out in the 2008 SORP in preparing the 2008/09 accounts.</p>	Medium	<p>Processes will be established to collect the required information.</p>	Directorate Finance Managers	Sept 2008 – December 2008

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
Financial systems					
<p>Creditors</p> <p>Internal audit's work on the creditors system concluded control account reconciliations had been completed in a timely way but the audit trail of adjustments made needed to be improved. A small number of duplicate payments were identified by officers in the year.</p>	<p>The Council should ensure recommendations made by Internal Audit are implemented and where compensating controls are put in place, these are fully documented and reviewed.</p>	<p>Medium</p>	<p>The internal audit review identified only 13 duplicate payments - in excess of 120,000 payments are processed each year. It concluded that these were mainly due to local circumstances rather than any shortfall in corporate systems or controls.</p> <p>Internal audit commented that control accounts were reconciled in a timely fashion but the audit trail of adjustments needed to be improved. Action has been taken to address this.</p>	<p>Exchequer Manager</p>	<p>September 2008</p>

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
Financial systems					
Schools					
Internal audit review of the financial systems operating at a sample of schools identified some significant weaknesses. These weaknesses were reported to the schools and the Audit Committee.	The Council should ensure financial controls are improved at schools through the follow up of issues identified by Internal audit and prepare a risk-based programme of work at schools across Medway.	Medium	Issues raised at two secondary schools, by internal audit, were followed up at the time by the Directorate Finance Support Team who still maintain close links with each school. In both cases the schools are now supplying accurate financial information to the Council and the schools' income, expenditure and bank balances have been fully reconciled to the Council's accounts for 2007/08. Internal audit's risk based plan for 2008/09 includes follow up work on the 2007/08 schools programme with a further allocation of time for risk based activity on school issues.	Finance Manager (Education & Young People). Internal Audit	Implemented Implemented
Annual Governance Statement (AGS)					
The Council did not prepare a draft AGS for Member approval and external audit review until 11 September 2008.	The Council needs to ensure that, in future years, the AGS and any supporting reviews, such as the review of internal audit required by the accounts and audit regulations, are completed in a more timely way with full supporting reports and documentation being made available for external audit review.	High	For 2008/09, we will produce the required statements and reviews by the time external audit commence their work in the summer of 2009.	Monitoring Officer and Chief Finance Officer	July 2009

Appendix B: Draft letter of representation

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

25 September 2008

Dear Sirs

Statement of Accounts of Medway Council for the year ended 31 March 2008

1 Representations of the Chief Finance Officer

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of other officers and Members of the Council, the following representations given to you in connection with your audit of the Council's Statement of Accounts.

2 Responsibility for the Statement of Accounts

I acknowledge as the Chief Finance Officer and S151 Officer my responsibilities for the Statement of Accounts.

3 Completeness of information

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and committee meetings (held during the year and up to the date of this letter) have been made available to you.

4 Internal control

I acknowledge my responsibility for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement of Accounts that are free from misstatement, whether arising from fraud or error.

5 Fraud

I have disclosed to you the results of my assessment of the risk that the Statement of Accounts could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting materially the Statement of Accounts, nor have any allegations of fraud or suspected fraud been communicated to me by employees, former employees, councillors, regulators or others which might affect materially the Statement of Accounts.

6 Compliance with law and regulations

I am not aware of any possible or actual instances of non-compliance with laws or regulations which are central to the Council's ability to carry on business or which would otherwise have a potentially material effect on the Statement of Accounts.

7 Transactions with related parties

I confirm that I have put in place appropriate arrangements to identify related party transactions.

I am satisfied that the disclosure in the Statement of Accounts of related party transactions is appropriate and complete and contains all the elements necessary for an understanding of the Statement of Accounts.

8 Contingent liabilities

I am not aware of any significant contingent liabilities, including pending claims, proceedings or litigation involving the Council.

9 Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- Rate of inflation 3.1%
- Rate of increase in salaries 4.6%
- Rate of increase in pensions 3.1%
- Rate for discounting scheme liabilities 4.9%

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

10 Subsequent events

There have been no events since the balance sheet date which necessitate revision of the figures included in the Statement of Accounts or inclusion of a note thereto where revisions of the Accounts have not been made or notes not included. Should any material events occur, which may necessitate revision of the figures included in the Statement of Accounts or inclusion of a note thereto, I will advise you accordingly.

Yours faithfully

Mick Hayward
Chief Finance Officer

*Representations of the Council***1 Responsibility for the Statement of Accounts**

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the Statement of Accounts.

2 Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its governance processes. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant governance issues.

Yours faithfully

Councillor Nicholas Brice
Chair of the Audit Committee

Signed on behalf of the Council

Appendix C: Unadjusted misstatements

There are no unadjusted misstatements.

Appendix D: Draft audit opinion

Independent auditor's report to the Members of Medway Council

Opinion on the financial statements

We have audited the accounting statements and related notes of Medway Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Medway Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused

by fraud or other irregularity or error. In forming my opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In our opinion:

- The financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and

Signature: _____ Date: _____

Name: PKF (UK) LLP
London, UK

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Medway Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 19 December 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements.

Signature: _____ Date: _____

Name: PKF (UK) LLP
London, UK

Appendix E: Reports issued in respect of 2007/08

Annual Audit and Inspection Plan	September 2007
Opinion on 2007/08 BVPP	December 2007
Data Quality report	November 2007
Final report to those charged with governance	September 2008

Income and Expenditure Account

Net 2006/2007 Restated £'000	Service	Notes	Expenditure 2007/2008 £'000	Income 2007/2008 £'000	Net 2007/2008 £'000
1,098	Central services to the public		2,114	(821)	1,293
328	Court Services		375	0	375
51,093	Cultural, environmental and planning		78,687	(22,709)	55,978
36,157	Education services		268,304	(229,950)	38,354
24,792	Highways, roads and transport services		31,915	(7,609)	24,306
(991)	Local authority housing		11,125	(11,413)	(288)
5,652	Other housing services		95,475	(91,444)	4,031
68,981	Social services		107,667	(34,487)	73,180
6,959	Corporate and Democratic core		9,278	(2,394)	6,884
1,535	Non-distributed costs		22,694	(21,654)	1,040
195,604	Net Cost of Services		627,634	(422,481)	205,153
(890)	(Gain)/loss on disposal of fixed assets				(349)
197	Parish council precepts				216
(2,006)	Trading (surpluses) / deficits	3			(2,112)
10,410	Interest payable and similar charges	38			12,709
855	Contribution of housing capital receipts to Government Pool				703
(4,649)	Interest and investment income	38			(6,529)
3,200	Pension interest cost & return on assets				2,700
202,720	Net Operating Expenditure				212,491
(80,422)	Demand on the Collection Fund				(84,141)
(21,204)	Central Government Grant				(10,243)
(57,214)	Non-domestic rates redistribution				(61,038)
43,880	<u>Deficit for the year</u>				57,069

Balance Sheet	Notes	31 March 2008		31 March 2007
		£'000	£'000	Restated £'000
Fixed Assets				
Council Dwellings	13	195,145		183,270
Other Land and Buildings	13	724,813		650,028
Vehicles, Plant and Equipment	13	1,117		1,108
Infrastructure and Community Assets	13	135,957		138,184
Investment Properties	13	118,005		72,234
Work in Progress	13	<u>12,051</u>		<u>40,392</u>
			1,187,088	1,085,216
Long Term Investments	17		75	75
Intangible Assets	13		509	0
Long Term Debtors	18		927	1,074
			<u>1,188,599</u>	<u>1,086,365</u>
TOTAL LONG TERM ASSETS			1,188,599	1,086,365
Current Assets				
Stocks and Work in Progress	19	137		112
Debtors	20	43,757		44,609
Short-term investments	17 & 37	112,866		85,075
Cash and Bank		<u>19,842</u>		<u>14,930</u>
		176,602		144,726
Current Liabilities				
Creditors	21	(56,562)		(41,570)
Short Term Borrowing	22	(131)		(120)
Bank Overdraft		<u>(17,957)</u>		<u>(15,774)</u>
		(74,650)		(57,464)
NET CURRENT ASSETS			101,952	87,262
Unapplied Capital Contributions			(22,137)	(19,631)
Long Term Borrowing	22 & 37		(215,057)	(170,079)
Deferred Liabilities	23		(53,860)	(56,107)
Pensions Liabilities	24		(98,000)	(121,600)
Deferred Capital Receipts	25		(66)	(89)
Government Grant Deferred Account	26		(76,494)	(58,501)
Capital Contributions Deferred Account	26		(10,103)	(7,255)
Provisions	27		(2,952)	(3,634)
			<u>811,882</u>	<u>736,731</u>
TOTAL ASSETS LESS LIABILITIES			811,882	736,731
Financed by				
<u>Reserves:-</u>				
Revaluation Reserve	28		79,993	0
Usable Capital Receipts Reserve	29		587	5,949
Capital Adjustment Account	30		805,633	825,255
Earmarked Capital Reserves	31		794	1,270
Earmarked Revenue Reserves	31		5,645	5,210
General Reserve	31		1,713	3,747
Pensions Reserve	31		(98,000)	(121,600)
Financial Instrument Adjustment Account	40		(2,016)	0
<u>Revenue Balances:-</u>				
General Fund Balance			8,344	7,724
Housing Revenue Account Balance	31		3,104	2,835
Schools Balances	31		6,092	6,686
Trading Balances	31		(7)	(345)
			<u>811,882</u>	<u>736,731</u>
TOTAL RESERVES AND BALANCES			811,882	736,731

Movement on Reserves

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Council during the financial year. The statement shows the gains/losses unrealised in the Revenue Account and separates the movements between revenue and capital reserves.

	Restated Balance at 1 April 2007	Contribution to Revenue	Contribution from Revenue	Revaluations and Disposals	Transfers & Other Movements	Financing of Fixed Assets	Balance at 31 March 2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CAPITAL RESERVES							
Revaluation Reserve	0	0	0	79,993	0	0	79,993
Capital Adjustment Account	825,255	(31,538)	3,430	0	(54,002)	62,488	805,633
Useable Capital Receipts Reserve	5,949	0	0	0	2,509	(7,871)	587
Housing Major Repairs Reserve	1,092	0	2,199	0	0	(2,503)	788
Other Earmarked Capital Reserves	178	0	0	0	(23)	(149)	6
Total Capital Reserves	832,474	(31,538)	5,629	79,993	(51,516)	51,965	887,007
REVENUE RESERVES							
General Reserve	3,747	(830)	1,537	0	0	(2,741)	1,713
Pensions Reserve	(121,600)	0	0	0	23,600	0	(98,000)
General Fund Balance	7,724	0	620	0	0	0	8,344
Housing Revenue A/C Balance	2,835	0	269	0	0	0	3,104
Financial Instrument Adjustment a/c	0	(2,016)	0	0	0	0	(2,016)
Schools Balances	6,686	(594)	0	0	0	0	6,092
Trading Account Balances	(345)	0	338	0	0	0	(7)
Earmarked Revenue Reserves	5,210	0	435	0	0	0	5,645
Total Revenue Reserves	(95,743)	(3,440)	3,199	0	23,600	(2,741)	(75,125)
TOTAL RESERVES	736,731	(34,978)	8,828	79,993	(27,916)	49,224	811,882