

**NEW FOREST NATIONAL PARK AUTHORITY**

**AUTHORITY MEETING – 15 JUNE 2006**

**FINAL ACCOUNTS AND STATEMENT OF INTERNAL CONTROL FOR  
FINANCIAL YEAR 2005/06**

**Report by:** Pat Higgins, Chief Finance Officer

**Summary:**

1. This report introduces the final accounts for the New Forest National Park Authority for its first transitional year 2005/06, together with the Statement of Internal Control. The presentation of both documents follows the relevant statutory accounting codes of practices and Account and Audit Regulations 2003 and 2006 which apply to local authorities.
2. The report also includes a summary of the actual expenditure incurred during the first year against the grant from Defra. The expenditure shows an under-spend of £241,956 against a total budget of £3,517,297, financed by the grant.
3. The Accounts for the year ended 31 March 2006 are required to be approved by the Authority before 30 June; these will be subject to audit by the Audit Commission and an audit opinion issued prior to publication of the accounts by 30 September 2006.
4. The Statement of Internal Control forms part of the final accounts and requires formal approval by the Authority; it is subsequently signed by the Chief Executive and Chairman of the Authority prior to publication by the Authority.
5. The report makes a recommendation to Members to approve the transfer of the under-spend of £241,956 to the General Fund, towards meeting committed expenditure during the second financial year 2006/07.

**Recommendations:**

1. **To approve the Statement of Internal Control (Annex 1)**

2. To approve the Authority's Final Accounts for the first transitional year 2005/06 (Annex 2)
3. To approve the transfer of £241,956 to the General Fund and £135 to a Donations Reserve.

**Resources:**

None

**Other Major Considerations:**

None

**Papers:**

NFNPA 96/06 : Cover paper  
NFNPA 96/06 : Annex 1 : Statement of Internal Control  
NFNPA 96/06 : Annex 2 : Final Accounts 2005/06

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**1 Introduction**

- 1.1 The Account and Audit Regulations 2003, as amended by the 2006 Regulations, require the New Forest National Park Authority to adopt its 2005/06 final accounts within three months of the financial year to which they refer.
- 1.2 The Authority's external auditors are required to complete their audit of the accounts and issue an audit opinion, to enable the Authority to publish its accounts within six months of the financial year to which they refer.
- 1.3 The Regulations also reinforce the responsibility of the Authority in ensuring that its financial management arrangements are adequate and effective, and that there are sound systems of internal control and risk management in place. To this end, a Statement of Internal Control is included within the annual Statement of Accounts.
- 1.4 The Authority is required formally to consider and adopt the Statement of Internal Control before it is incorporated within the Statement of Accounts. The document is usually signed by the Chairman of the Authority and the Chief Executive on behalf of the Authority.
- 1.5 The formal Statement of Internal Control is attached as Annex 1 to this report; the Statement of Final Accounts is attached as Annex 2.
- 1.6 The Statement of Accounts and Statement of Internal Control are both subject to audit by the Authority's external auditors. If either set of documents require any material amendment as a result of the audit, these will be reported to a subsequent meeting of the National Park Authority. The audit will be concluded by issue of a management letter to the Authority later this year.

## **2 Statement of internal control**

- 2.1 Internal control and risk management have increasingly been recognised as important elements of good corporate governance, and to that end, the aim of the publication of a statement which communicates governance issues is to enhance public confidence in local government. This principle had been reinforced by a mandatory requirement to publish a Statement of Internal Control each year.
- 2.2 Internal control systems encompass the whole range of the Authority's activities and include those controls designed to ensure that:
- laws and regulations, and the Authority's own policies are complied with;
  - the Authority operates effectively and efficiently in achieving its objectives;
  - assets and other resources are safeguarded from inappropriate use or from loss or fraud; and
  - records are properly maintained and capable of producing timely and reliable financial and management information.
- 2.3 The assurances and conclusions within the statement are usually based on the work undertaken by internal audit and the annual review of corporate governance arrangements in place by the Monitoring Officer and S151 Officer.
- 2.4 The Statement for 2005/06 reflects and recognises that this was a transitional year where systems and processes were being implemented prior to the National Park Authority taking up its full powers on 1 April 2006. The Statement also identifies a number of areas where development needs to be achieved during 2006/07 which will further enhance the existing internal controls.

## **3 Statement of Accounts**

- 3.1 The Statement of Accounts for the National Park Authority comprises:
- a consolidated revenue account, which shows the incidence of expenditure against individual service headings and grants received;
  - the balance sheet which shows the assets and liabilities accumulated at the year end;
  - cash flow statement which shows the movement of cash;
  - statement of accounting policies.

- 3.2 In most cases the figures within the major financial statements are backed up by supporting notes to the accounts. However, some further comment and explanation on the accounting treatment of expenditure is included within this report.

#### *Consolidated Revenue Account*

- 3.3 In effect, this is the General Fund. Included within the net cost of services of £2.731 million are adjustments for asset rental charges, depreciation of fixed assets and pension adjustment of £26,075. These costs are included to reflect the full cost of service provision for comparison purposes, but are notional accounting adjustments which are subsequently reversed out of the Consolidated Revenue Account so as not to affect the actual level of expenditure requiring funding.
- 3.4 The most significant area of expenditure in this current financial year is for Corporate and Democratic Services. This usually comprises core corporate costs associated with the role of the Chief Executive and other statutory posts, and expenditure such as audit fees (ie costs which the authority would incur however the service is delivered) and, the cost of democracy, which comprises of member allowances and their support costs.
- 3.5 However, in the transitional year, substantial one-off costs have been accrued in setting up the organisation; these costs will not re-occur in the future. In discussions with Defra regarding the accounting treatment of such costs, it was agreed that for this year, these should remain as Corporate and Democratic Service costs with no re-allocation of elements of expenditure over other service headings.
- 3.6 The Consolidated Revenue Account shows a saving of £241,956 which will be transferred into the General Reserve for future use. Of this saving, £57,431 is attributable to interest earnings from investment of surplus funds, and £184,525 from the grant funding from Defra of £3.517 million. Some of the savings from the current year's budget have already been committed through contracts for the provision of further set-up and other costs to be incurred in the new financial year.
- 3.7 In addition to the grant and interest earnings, donations of £135 were received; these have been transferred into a separate revenue reserve pending a decision on how this money should be spent.
- 3.8 Notes relating to the Authority's liability to employee pensions are included under note 5 relating to the Consolidated Revenue Account and note 9 to the Balance Sheet. In relation to note 5, the table summarises the impact of pension contributions on the Consolidated Revenue Account. The

National Park Authority should have paid £53,000 to equal the liability arising in the year for current employees; to this sum a further £16,000 is added as interest on outstanding liabilities, offset by £13,000 for returns on the relevant share of assets in the pension fund.

- 3.9 The net effect is that the total liability for the year would be £56,000, although the Authority made payments of £40,000 in accordance with the contribution rates determined by the pension fund administrator. The difference between these two sums is the notional amount reversed out of the Consolidated Revenue Account, below the net operating expenditure line.

#### *Consolidated Balance Sheet*

- 3.10 Although the Balance Sheet shows a liability of £197,000, this reported liability will change from year to year depending upon the performance of the pension fund; the liability is therefore notional with regard to the Balance Sheet and any under-funding will be addressed through future pension contribution rates determined by the pension fund administrator. Note 9 identifies that £146,000 notional liability at the beginning of the financial year related to staff transferred to the Authority.
- 3.11 Note 4 relates to the movement of assets during the year. Capital expenditure of £627,668 was incurred during the year of which £221,680 has been determined under the accounting regulations not to enhance the value of the asset. This includes expenditure such as ground works for the siting of the temporary building.
- 3.12 The Balance Sheet shows that the Authority has an overdraft of £213,837 as at 31 March, although the actual balance was £12,626 in credit. The reason for this difference is to reflect automated bank transfers raised in the financial accounts on 30 March but not processed through the bank account until the new financial year; funds were available in the bank account on the payment date.

#### **4 Recommendations:**

##### **Members are recommended to:**

- 1. To approve the Statement of Internal Control**
- 2. To approve the Authority's Final Accounts for the first year 2005/06**
- 3. To approve the transfer of £241,956 to the General Fund and £135 to a Donations Reserve.**