

NEW FOREST NATIONAL PARK AUTHORITY

**RESOURCES AND PERFORMANCE COMMITTEE – 14 JUNE 2006
AUTHORITY MEETING – 28 JUNE 2006**

**STATEMENT OF ACCOUNTS AND STATEMENT OF INTERNAL CONTROL
FOR FINANCIAL YEAR 2006/07**

Report by: Pat Higgins, Chief Finance Officer

Summary:

1. This report introduces the final accounts for the New Forest National Park Authority for its second year 2006/07, 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 for the year in the same reporting format for regular budgetary control reports to members. The expenditure shows an under-spend of £1.204 million against the original approved budget and £0.701million under-spend against the latest approved budget of £4.124 million
3. The Accounts for the year ended 31 March 2007 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 2007.
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 prior to publication by the Authority.
5. The report makes a recommendation to Members to approve the further transfer of the under-spend of £588,000 to the General Fund, and £48,000 under-spend against the Sustainable Development Grant Fund to its own earmarked reserve. These transfers are in addition to £899,000 transferred to General Reserve and Sustainable Development Fund during the financial year.

6. The report also includes the annual report on the Treasury management service and actual prudential indicators for 2006/07. This is shown as Annex 4.

Recommendations:

1. To approve the Statement of Internal Control (Annex 1)
2. To approve the Authority's Statement of Accounts for the financial year 2006/07 (Annex 2)
3. To note the final out-turn position for 2006/07 as set out in Annex 3
4. To approve the transfer of £588,000 to the General Fund and £48,000 to the Sustainable Development Reserve.
5. To Note the Treasury Management stewardship report and actual prudential indicators for 2006/07.

Resources:

Routine

Papers:

NFNPA/RPC 24/07: Cover paper

NFNPA/RPC 24/07: Annex 1 - Statement of Internal Control

NFNPA/RPC 24/07: Annex 2 - Statement of Accounts 2006/07

NFNPA/RPC 24/07: Annex 3 - General Fund Out-turn 2006/07

NFNPA/RPC 24/07: Annex 4 - Annual report on the Treasury Management Service and Actual Prudential Indicators for 2006/07

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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 2006/07 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 included with the Statement of Accounts for publication. The document is usually signed by the Chairman 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 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. Under a proposed new code of practice on corporate governance this Statement will be replaced by an Annual Governance Statement for next year's accounts.

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 undertaken by the Monitoring Officer and S151 Officer.

2.4 The Statement for 2006/07 reflects the issues identified in the District Auditor's Management letter for 2005/06 for improvement, the work of internal audit during the financial year and the first review of the Authority's compliance with its own Code of Practice on Corporate Governance just completed by the Monitoring and Section 151 Officers for the financial year.

3 Statement of Accounts

3.1 The Statement of Accounts for the Authority comprises:

- an Income and Expenditure account, which shows the incidence of expenditure against individual service headings and grants received;
- Statement of Movement on the General Fund Balance;

- Balance Sheet which shows the assets and liabilities accumulated at the year end;
 - Cash Flow Statement which shows the movement of cash;
 - Statement of Total Recognised Gains and Losses;
 - Statement of accounting policies.
- 3.2 This year, the format of the accounts have been amended to reflect new reporting requirements contained in the Statement of Recommended Practice (SORP) which specifies the principles and practices of accounting requirements to prepare the Statement of Accounts which presents 'fairly' the financial position of the Authority.
- 3.3 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.

Income and Expenditure Account (replaces the Consolidated Revenue Account)

- 3.4 In effect, this is the General Fund, and includes a new 'Statement of Movement on General Fund Balance'. Included within the net cost of services of £3.633 million are adjustments for depreciation of fixed assets and pension adjustment. These costs are included to reflect the full cost of service provision for comparison purposes, but are notional accounting adjustments which are subsequently adjusted in the Statement of Movement on the General Fund Balance so as not to affect the actual level of expenditure requiring funding.
- 3.5 The Income and Expenditure Account shows a surplus of £1,510,792. After adjusting for the reconciling items within the Statement of Movement, the increase in the general fund balance for the year is £1,376,258. This is after transferring £158,000 to the Sustainable Development Fund Reserve and £65,000 to the Local Development Framework Reserve. The original approved budget for 2006/07 allowed for £396,000 to be transferred to the General Fund Reserve, therefore the overall under-spend for the year was £1.204 million.
- 3.6 A summary of the final out-turn position for 2006/07 in the same format used for budgetary control reports is shown as **Annex 3**. Further details of the final position are shown in paragraph 4 below.

Cash Flow Statement

- 3.7 This statement shows the movement of cash for the year and will differ from figures shown in other statements which have been adjusted for accruals and prepayments.

Consolidated Balance Sheet

- 3.8 Whilst the balance sheet shows an overdraft position, the actual bank balance was in credit; the balance sheet reflects payments in transit.
- 3.9 The Authority's investment portfolio has increased by £685,000 from the previous financial year.

4 OUT-TURN FOR 2006/07

- 4.1 **Annex 3** attached identifies an underspend of £701,000 from the last approved budget for 2006/07. This is comprised of:

	<u>£</u>
Employee and related training costs	267,000
Start-up costs	263,000
Supplies and Services	115,000
Development Control income	18,000
Interest	24,000
Travel and subsistence	14,000

- 4.2 The budgetary control report for the period to 31 March, considered by members at the meeting on 24 April 2007 indicated an under-spend of £1.004million against the last approved budget. The estimated under-spend was subsequently updated orally at the meeting to £833,000.
- 4.3 In the process of closing the accounts for the year, additional commitments, identified subsequent to that meeting have reduced the under-spend to £701,000. Of this sum, members have already approved the transfer of £113,000 to specific reserves, leaving a further £588,000 to be transferred to the General Fund Balance.

5. TREASURY MANAGEMENT PERFORMANCE AND PRUDENTIAL INDICATORS FOR 2006/07

- 5.1 Annex 4 contains the annual Treasury Management Stewardship Report for 2006/07 and the actual prudential indicators, measured against the strategy approved by Members in May 2006 for the financial year 2006/07.

5.2 Interest earnings for the year amounted to £123,783; no specific provision for interest earnings was included in the Authority's budget for 2006/07.

5.3 There were no material issues during the year and members are asked to note the report.

6. Recommendations:

Members are recommended:

1. **To approve the Statement of Internal Control (Annex 1)**
2. **To approve the Authority's Statement of Accounts for the financial year 2006/07 (Annex 2)**
3. **To note the final out-turn position for 2006/07 as set out in Annex 3**
4. **To approve the transfer of £588,000 to the General Fund and £48,000 to the Sustainable Development Reserve.**
5. **To note the Treasury Management stewardship report and actual prudential indicators for 2006/07.**