

CORPORATE GOVERNANCE COMMITTEE – 24 JUNE 2010

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

REPORT BY TREASURER AND CHIEF CONSTABLE

Introduction

- 1.1 This report presents the Authority's unaudited Statement of Accounts for the 2009-10 financial year for approval.

Statement of Accounts

- 2.1 A short explanation of the contents of the Accounts is attached at Appendix A. The full Statement will be circulated separately at Appendix B.
- 2.2 The format of the Accounts reflects the requirements of the latest relevant Codes of Practice and includes providing a narrative to the accounts for non-financial readers.
- 2.3 The Statement of Accounts attached to this report are subject to audit by the District Auditor. The audit is underway and is scheduled for completion next month.
- 2.4 In the event of any changes being required by the Auditor it is proposed that these are determined by the Treasurer in consultation with the Chairman of the Committee and reported to the next Meeting in September.
- 2.4 The accounts must be published by the 30 September each year and, as in previous years, following the placement of a public notice in the local press, the accounts will be placed on the Authority's web pages with copies distributed to local and national stakeholders, including a small number of hard copies to public libraries in Sussex.
- 2.5 Both A4 and A5 sized versions of the accounts will be produced. In addition, a summary of the accounts in leaflet form will also be available.

Accounting Regulations

- 3.1 The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations (Amended)(England) 2009, the latest Code of Practice on Local Authority Accounting 2009, Best Value Accounting Code of Practice 2009 and the accounting policies agreed by the Authority. The significant changes for 2009-10 are:
 - The custody Private Finance Initiative (PFI) is now included on the balance sheet for the first time. This change in accounting

policy has been backdated to the inception of the scheme and has therefore necessitated the restatement of opening balances at 1 April 2009 and comparative figures.

- The Authority is now required to include on its balance sheet and within the Income & Expenditure Account the Authority's attributable share of the surplus or deficit on the council tax collection fund held by the thirteen billing authorities at the year end. The opening balances at 1 April 2009 and comparative figures for the year 2008-09 have been restated
- In addition the Income & Expenditure Account has been expanded from a single service line to eleven divisions of service. This has also been applied to the 2008-09 comparative figures. This is in accordance with the 2009 Statement of Recommended Practice. Some areas of expense have been moved into/out of Net Cost of Services
- A more transparent analysis of the pay of senior officers.

Further details of these changes can be found within the accounting policies section of the accounts. The changes to the Income and Expenditure Account are explained in more detail in the notes on page 22 of the accounts.

Post Balance Sheet Events

4. There are no post balance sheet events to report at this time.

Heritable Bank

- 5.1 As Members are aware, the Authority has a sum of £6.8m on deposit with the Heritable Bank.
- 5.2 Both FRS 26 and the SORP require authorities to make their best estimate of any impairment (loss) of financial assets. CIPFA has published guidance on the appropriate level of impairment for each bank, based upon the information currently available. While not impacting on the financial outturn, the statement of accounts will need to reflect an appropriate level of impairment.
- 5.3 The impairment based on an 80% recovery of £1.360m was recognised in last year's accounts.
- 5.4 In January 2010 the administrators revised upwards their estimated return to non-preferential unsecured creditors. Current projections indicate a base rate of return to creditors of 79 to 85 pence in the pound (previously 70 to 80 pence) and a best case return of 63 to 73 pence in the pound (previously 55 to 70 pence). The administrator has further declared a fourth interim dividend with the actual repayment amount to be notified to the Authority in July 2010.

- 5.5 During 2009-10 the administrator Ernst & Young declared three interim dividend payments to the Authority representing 34.98% of the total claim. Payments received have been used to reduce the loan principal outstanding; interest adjustments if appropriate will be made when the final settlement total is known. The position with regard to Heritable investments at 31 March 2010 is summarised below:

	£'000
Original investment	6,800
1st dividend received 30 July 2009 (16.13 pence in the £)	-1,104
2nd dividend received 18 December 09 (12.66 pence in the £)	-866
3rd dividend received 30 March 2010 (6.19 pence in the £)	-424
Balance to recover (excluding 2008-09 impairment)	4,406
20% Loan impairment recognised in 2008-09 accounts	-1,360

Reporting Arrangements

- 6.1 International Standards on Auditing (ISA) require auditors to communicate with those charged with governance, at least annually, with a "communication of audit matters with those charged with governance".
- 6.2 ISA 260 defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. For Sussex Police Authority, this responsibility is discharged by reporting relevant matters to the Corporate Governance Committee.
- 6.3 Under ISA 260 the auditors must issue a report even if only to explain that there is nothing that the auditor wishes to draw to the Committee's attention. The auditors will report any identified mis-statements in the accounts that have not been resolved by management, material weaknesses in accounting and control systems, potential qualifications in the accounts and any qualitative aspects of accounting practices and financial reporting processes.
- 6.4 The District Auditor's report is expected to be available at the Committee's next meeting on 23 September 2010.

Whole of Government Accounts (WGA)

- 7.1 WGA are accounts covering the whole of the public sector as if it were a single entity. WGA consolidates returns for some 1,300 separate bodies and reflect the requirement of the HM Treasury's Code for Fiscal Stability published in 1998. The Code commits the Government to producing accounts for the whole public sector on a consolidated basis where reasonably practicable. It also commits the Government to applying best-practice accounting methods - UK GAAP adapted for the public sector - in the production of its accounts.

- 7.2 The Authority is required to provide an initial return by 30 July. The final return, signed by the Treasurer and with a copy of the audit report, is due by 1 October. This return will form part of the consolidated Government Accounts alongside central government departments, NHS trusts and other public bodies.
- 7.3 The auditors are required to review and report on the consolidation return prepared by the Authority. The return requires extra analysis to be undertaken of the audited accounts. This is to ensure that certain defined transactions and balances with other public sector bodies can be eliminated.

Letter of Representation

- 8.1 When issuing their audit certificate, auditors rely on both their work carried out and a letter of representation from the audited body. This letter includes assurances that known material issues have been disclosed in the accounts.
- 8.2 For the 2009-10 accounts the letter will be completed and signed, prior to the completion of the audit, by the Treasurer on behalf of the Police Authority.

RECOMMENDED - that

- (1) The unaudited Statement of Accounts for the year ended 31 March 2010 be approved and signed by the Chairman of the Committee; and
- (2) In the event of any changes being required by the Auditor these are determined by the Treasurer in consultation with the Chairman of the Corporate Governance Committee and reported to the Committee at its meeting on 23 September 2010.

RICHARD HORNBY
Treasurer

MARTIN RICHARDS
Chief Constable

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APPENDIX A

STATEMENT OF ACCOUNTS – Summary and Brief Explanation

Item	Pages	Brief Explanation
About Sussex Police and Introduction	2 – 3	Overview of Sussex Police Authority and an introduction to the main statements
Treasurer's Foreword and Financial Overview	4	Sets out the background to the financial year with a summary of the outturn position for both Revenue and Capital.
Statement of Responsibilities	9	Sets out the responsibilities of the Police Authority and the Treasurer.
Annual Governance Statement	10	Statement describing how the Authority complies with the requirements of the Framework of Good Corporate Governance.
Audit Report	11	The District Auditor's audit report.
Accounting Policies	13	The policies adopted for the preparation of the accounts and compliance with the Accounting Code of Practice.
Income and Expenditure Account	17	A summary of the Authority's revenue expenditure and income in 2007-08.
Statement of Movement on the General Fund Balance	18	This shows a reconciliation of how the balance of resources generated/consumed in the year links in with the statutory requirements for raising Council Tax.
Statement of Total Recognised Gains and Losses	19	This demonstrates how the movement in net worth in the Balance Sheet is identified to the Income & Expenditure account and to other unrealised gains and losses.
Balance Sheet	20	The Balance Sheet sets out the assets and liabilities of the Police Authority at the 31 st March 2008.
Cash Flow Statement	21	This shows the analysis of the cash movements on Revenue and Capital during the year.
Notes to the Accounts	22	The notes show specific items required by the Code of Practice to provide more detail behind the figures included in the main accounting statements.
Police Pension Fund Account	42	This shows the contributions and benefits payable for the year.
Glossary of Financial Terms	57	Brief notes on the Financial Terms included in the Accounts and Financial Report.