

Meeting:	Cabinet
Date:	15 December 2005
Subject:	Statement of Accounts 2004-2005
Responsible Officer:	Myfanwy Barrett Director of Financial and Business Strategy
Contact Officer:	Myfanwy Barrett Director of Financial and Business Strategy
Portfolio Holder:	Portfolio Holder for Business Connections and Performance
Key Decision:	No
Status:	Part 1

Section 1: Summary

Decision Required

That the Cabinet agree the recommendation from the Audit Committee to:

- (a) a full review of debt recovery policy, sums outstanding, write offs required, the appropriate level of bad debt provision for the authority and the adequacy of the current provision is carried out as a high priority and in time for the next annual audit;
- (b) adequate provision is made in future budget plans for effective debt management; and
- (c) action is taken to write off debt where required.

Reason for report

- To ensure that the Council is planning the use of resources effectively.

Benefits

- To strengthen the financial accountability of the Authority.

Cost of Proposals

- There are no additional costs arising from the recommendation as bad debt write-offs will be met from approved provisions.

Risks

- Debt recovery policies and actions are not in place to ensure debts are recovered.

Implications if recommendations rejected

- Potential loss of income and criticism from the external auditor leading to possible qualification of future annual accounts.

Section 2: Report

Brief History

1. At its meeting of 27 October the Audit Committee, which is required by Council to consider and approve the annual accounts of the Authority, reviewed the 2004-2005 accounts and the external audit comments on those accounts.
2. The Audit Committee approved the accounts in October for 2004-2005 and in so doing noted the concerns of the external auditor in respect of debt recovery and levels of bad debt provisions, but also noted that work on these concerns had already been initiated.
3. As this issue had wider implications for the finances of the Authority the Audit Committee has recommended to Cabinet that:
 - (a) a full review of debt recovery policy, sums outstanding, write offs required, the appropriate level of bad debt provision for the authority and the adequacy of the current provision is carried out as a high priority and in time for the next annual audit;
 - (b) adequate provision is make in future budget plans for effective debt management; and
 - (c) action is take to write off debt where required.
4. A report will be made to the Audit Committee at the conclusion of the review in order to inform the approval of the 2005-2006 accounts.

Consultation

5. None.

Financial Implications

6. This is a recommendation from the Audit Committee and deals with financial matters throughout.

Legal Implications

7. The external audit of local authority accounts is governed by Part II of the Audit Commission Act 1998. The Council is required to prepare a statement of accounts for each period. The Act places a duty on the Council to consider the auditor's report and other written comments. A body of the Council must notify the auditor as soon as practicable after the meeting to consider whether any action is needed, of the decisions made and ensure notice of the decision is published in the local newspaper. The External Auditor has highlighted the need for further work in relation to debt recovery, and the audit committee has made recommendations on this. If the recommendations of the External Auditor are not complied with, there is a risk that it would criticise future accounts leading to possible qualification of future annual accounts.

Equalities Impact

8. The annual accounts of the Authority report the resources used to ensure that the Council delivers its Corporate Equalities Plan and achieves Level 3 of the Equalities Standard.

Section 17 Crime and Disorder Act 1998 Considerations

9. Not applicable

Section 3: Supporting Information/Background Documents

- Appendix attached:
Reference from the Meeting of the Audit Committee on 27 October 2005.

The annual accounts can be viewed on the website-
www.harrow.gov.uk.

- Background papers
 - (a) Minutes of the Audit Committee on 27 October 2005.
 - (b) Statement of Accounts for 2004-2005 submitted and approved by the Audit Committee 27 October 2005;
 - (c) External Audit report to the Audit Committee 27 October 2005.

Any person wishing to inspect the background papers should telephone
020 8424 1203

**HARROW COUNCIL
CABINET: 15 DECEMBER 2005**

Reference from the Meeting of the Audit Committee on 27 October 2005: The Authority Accounts 2004-2005 (b) The Statement of Accounts 2004-2005

1. At the meeting of the Audit Committee on 27 October 2005, the Director of Financial and Business Strategy tabled a report proposing amendments to the Statement of Accounts 2004-2005. The report also noted that the External Auditors SAS610 Report highlighted the need for further work in relation to debt recovery across all categories of debt. The report further noted that work to address this problem had already been initiated.
2. The Committee noted the comments of the External Auditor in relation to debt recovery and the level of provision for bad debts, and recommended to Cabinet that:
 - (c) a full review of debt recovery policy, sums outstanding, write offs required, the appropriate level of bad debt provision for the authority and the adequacy of the current provision is carried out as a high priority and in time for the next annual audit;
 - (d) adequate provision is make in future budget plans for effective debt management; and
 - (c) action is take to write off debt where required.

FOR CONSIDERATION

Background Papers:

Minutes of the Audit Committee on 27 October 2005.

Report of the Director of Financial and Business Strategy (including the External Auditors SAS610 Report and the Statement of Accounts 2004-2005).

Contact:

Nick Wale, Democratic Services Officer, Legal Services.

Tel: 020 8424 1323. E-mail: nick.wale@harrow.gov.uk