

Suffolk County Council: Annual Governance Report 2010/11 - Addendum

I ask you to confirm to me

I ask the audit committee to:

- note the adjustments to the financial statements which are set out in this report; and
- approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion. The letter confirms your belief that the impact on the financial statements of the two uncorrected errors detailed in the report at Appendix 2 is immaterial, either individually and collectively; and
- agree your response to the proposed action plan (Appendix 3).

I identified two errors that management has not agreed to correct.

Uncorrected errors

The following misstatements were identified during my audit, but management has not adjusted the financial statements on the grounds that the impact on the financial statements is not material, either individually and collectively. These are detailed within Appendix 2. I bring this to your attention to help you in fulfilling your governance responsibilities:

- Testing of additions to property, plant and equipment (PPE) has identified items of expenditure below the de-minimis level set in the Council's accounting policies. Items were also found that do not meet the definition of capital expenditure. This error impacts on the Council's financial statements by overstating PPE on the balance sheet, and understating expenditure in the comprehensive income and expenditure statement (CIES). However, there is no impact on the Council's general fund as the expenditure within the CIES is subsequently reversed through the movement in reserves statement. The estimated value of this error is £2.483 million (£1.020 million in 2009/10 and £0.933 million in 2008/09). This error also impacts on the movement in reserves statement, cashflow statement, group accounts and relevant notes.

- During the IFRS re-statement exercise, a number of PPE assets were indentified that had previously been missed in error from disclosure in the balance sheet. Note 47 to the financial statements, first time adoption, disclose these assets being brought back on to the Authority balance sheet as at 1.4.2009. These assets were valued at £2.455 million. In order to ensure that all such non disclosed assets were identified, Officers undertook a full reconciliation of assets recorded within the Estates K2 system and those within the Oracle Fixed Asset Register. The exercise identified a further 14 assets that had previously been missed in error from disclosure. The value of these assets as at 1.4.2009 is estimated at £7.986 million (£7.906 million in 2009/10 and £7.826 million in 2010/11). This error also impacts on the CIES, movement in reserves statement, group accounts and relevant notes.

Appendix 2 – Unadjusted misstatements to the draft financial statements

I identified the following misstatements during my audit and management has not adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities. If you concur with management in not amending, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
<u>Suffolk County Council</u>					
2010/11	Testing of additions to property, plant and equipment (PPE) has identified items of expenditure below the de-minimis level set in the Council's accounting policies. Items were also found that do not meet the definition for capital expenditure. (For both 2010/11 and 2009/10 the net impact would be to reduce PPE net book value and the capital adjustment account. This adjustment would also impact upon the group accounts and other relevant notes)	2,483			
CIES – Education and Children's Services					
Property, Plant and Equipment (PPE)					2,483
Capital Adjustment Account					2,483
Movement in Reserves Statement (Adjustments line)			2,483		
2009/10					
CIES – Education and Children's Services		1,020			
Property, Plant and Equipment (PPE)					1,020
Capital Adjustment Account				1,020	
Movement in Reserves Statement (Adjustments line)			1,020		

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
1/4/09					
Capital adjustment account (as no CIES shown)				933	
Property, Plant and Equipment					933
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<u>Suffolk County Council</u>	Property assets recorded on the property management system, but were not on the fixed asset register.				
2010/11					
PPE				7,826	
Capital adjustment account	The net impact would be to increase property, plant and equipment, and the capital adjustment account.				7,826
2009/10					
PPE				7,906	
Capital adjustment account	The adjustments are shown net, depreciation would be charged o the CIES and then reversed out via the MIRs to unusable reserves.				7,906
1/4/09					
PPE				7,986	
Capital adjustment account (as no CIES shown)	The adjustments would also impact upon relevant notes, and the Group Accounts.				7,986