

**Report of the Chief Executive to the Chair and Members  
of Police Authority Executive  
30<sup>th</sup> September 2009**

**Executive & Presenting Officer: Mr J McCarthy, Chief Executive**

**Status: For Agreement**

**Audited Statement of Accounts 2008/09**

**1 Purpose**

- 1.1 Members received and approved the Statement of Accounts 2008/09, subject to Audit, at their June meeting. It was agreed that the audited accounts and any amendments resulting from the audit would be presented to a future meeting of the Police Authority.

**2 Recommendations**

- 2.1 Members are asked to agree the Statement of Accounts for 2008/09.

**3 Reasons**

- 3.1 The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice (SORP) 2008/09. This specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of the Authority.
- 3.2 Members received and approved the Statement of Accounts 2008/09, subject to Audit, at their June meeting. It was agreed that the audited accounts and any amendments resulting from the audit would be presented to the Police Authority.
- 3.3 In her Annual Governance letter, on today's agenda as a separate item, the District Auditor states that she expects to issue an unqualified opinion that:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31<sup>st</sup> March 2009 and its income and expenditure for the year then ended; and
  - The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the police pension fund during the year ended 31<sup>st</sup> March 2009 and the amount and disposition of the fund's assets and liabilities as at 31<sup>st</sup> March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.
- 3.4 She also states that 'the financial statements were prepared to a good standard well in advance of the statutory deadline of 30<sup>th</sup> June and were supported by comprehensive working papers.'
- 3.5 The only amendments to the accounts were as follows:
- Unpaid Pension benefits associated with police officer retirements between 2006 and 2007 of £1.115m were omitted from the pension fund net asset statement.
  - The Helicopter has been reclassified as an operational asset whereas in the original accounts it was shown as a non-operational asset.
  - There have been some significant changes to the pensions' figures within the Statement of Accounts. The most significant changes were as a result of an error made by external Actuaries in calculating these figures. An incorrect interest rate was used and therefore the reports we were provided with at the time contained inaccurate evaluations.
  - All other changes to the accounts were presentational or increasing the information in disclosure notes and did not impact on the numbers reported in the original accounts that were placed before Members.
- 3.6 The above changes, whilst impacting on the Income and Expenditure Account, do not impact on the reported Outturn for the Force given the nature of these technical adjustments, nor the reserves position previously reported to Members.
- 3.7 Appendix A provides Members with a brief explanation of each of the components of the Statement of Accounts.

## **4 Implications**

### **4.1 Finance**

The Statement of Accounts is consistent with the revenue and capital outturn reports that were presented to Member at their June meeting.

### **4.2 Diversity & Equal Opportunities**

There are no diversity or equal opportunities implications arising from this report.

### **4.3 Human Rights Act**

There are no Human Rights Act implications arising from this road.

### **4.4 Sustainability**

The report is part of a series aimed at setting and monitoring a sustainable medium term financial position for the Authority.

### **4.5 Risk**

There are no risk implications arising from this report.

## **5 Conclusion**

- 5.1 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice 2008/09 and the subsequent Police Pension Fund Regulations 2007 (SI 1932/2007) and 'present fairly' the financial position and transactions of the Authority and the Police Pension Fund for the year ended 31<sup>st</sup> March 2009. The outturn is that previously reported to Members.

**Joe McCarthy**  
**Chief Executive**

The Statement of Accounts are available on the Cleveland Police Authority Website [www.clevelandpa.org.uk](http://www.clevelandpa.org.uk) if you do not have access to a computer hard copies are available by contacting Julie Leng on 01642 301467.

### **Chief Executive's Introduction**

Sets out the outturn position in summary and is in a format consistent with the monitoring reports received by Members throughout 2008/09.

### **Statement of Responsibilities**

Sets out the responsibilities of the Police Authority, the Chief Executive, in his role of Section 151 Officer, and those of the Chair of the Police Authority.

### **Auditor's Report**

The Audit Commission audits the financial statements and the police pension fund accounting statements under the Audit Commission Act 1998 and give an opinion on whether the financial statements present fairly the financial position of the Authority.

### **Statement of Accounting Policies**

Accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are to be reflected in the financial statements.

### **Income & Expenditure Account**

The Income & Expenditure Account is fundamental to the understanding of the Authority's activities. It brings together all the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Authority, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert expenditure to be met from capital resources.

### **Statement of Movement on the General Fund Balance**

The Income & Expenditure Account discloses the income receivable and expenditure incurred for the year. Both income and expenditure are measured using UK GAAP. However, the items of income and expenditure which must be taken into account in determining the authority's Net Budget Requirement and Precept is determined by Statute and non-statutory proper practices not UK GAAP. Although these are largely the same, there are a number of significant differences e.g. depreciation is charged to the Income & Expenditure Account but cannot be charged to the General Fund.

This statement provides the necessary reconciliation between the Income & Expenditure Account balance and the Movement on the General Fund Balance.

### **Statement of Total Recognised Gains & Losses**

Not all the gains and losses experienced by an authority are recognised in the Income & Expenditure Account e.g. gains on the revaluation of fixed assets and pension fund actuarial gains. These are excluded as they do not arise from operational performance. This statement sets out total gains and losses for the year and effectively reconciles the Income & Expenditure Account balance and the change in Net Worth reported in the Balance Sheet.

### **The Balance Sheet**

The Balance Sheet shows balances and reserves and long term indebtedness together with fixed and current assets. The difference between the two is the Authority's net worth.

### **The Cash Flow Statement**

This statement shows inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

### **Notes to the Core Financial Statements**

The Statement of Recommended Practice 2008/09 sets out the minimum information to be disclosed as notes to the core financial accounts.

### **Police Pension Fund Account**

The funding arrangements for the Police Pension scheme in England and Wales changed on 1<sup>st</sup> April 2006. Each Police Authority is required by legislation to operate a Police Pension Fund and the amounts that must be paid into and out of the Pension Fund are specified by regulation. A top-up grant is receivable, to the Authority, from the Secretary of State equal to the amount by which the amount payable from the Pension Fund for the year exceeds the amount receivable. The grant received is then transferred to the Pension Fund from the Authority.

### **Annual Governance Statement**

The Authority is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk.

This statement explains how the Authority has complied with its Code of Corporate Governance and also meets the requirements the Accounts & Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.