

**Our reference** ARB/Eckington

23 November 2007

Mr J Brooks  
Head of Financial Management and Audit Services  
Ashfield District Council  
Urban Road  
Kirkby-in-Ashfield  
Nottingham  
NG17 8DA

**Direct line** 0844 798 4302  
**Direct fax** 0844 798 4301

Dear John

**Ashfield District Council**  
**Audit of accounts for the year ended 31 March 2007**  
**Matters arising from the completion of the accounts audit**

In the Annual Governance Report which I presented to the Audit Committee on 24 September I wrote the following:

*“Our work on the financial statements is nearing completion although there are still several outstanding issues to be resolved. ... Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Head of Financial Management and Audit Services and the Chair of the Audit Committee as appropriate.”*

As you are aware we have now completed our further work, and I am in a position to give an unqualified opinion on the Council's 2006/07 financial statements. Before I do so, I would like to raise the issues set out below with you and Councillor Sears-Piccavey in his role as Chair of the Audit Committee. I would then propose to present this letter to the next meeting of Audit Committee in January having already given my opinion.

I think it is worth stressing at the outset that none of the issues that I discuss below has an impact on the Council's general fund balance carried forward. The general fund balance remains at £3.469 million as reported to the Audit Committee on 24 September.

This letter does set out, however, a number significant changes that have been made to the accounts as a result of the completion of the outstanding audit work. The changes to which I draw your attention reflect amendments to the “revised statement of accounts” as considered by the Audit Committee on 24 September.

## Clearance of outstanding items at the time of the Audit Committee

I need to draw your attention to the following changes agreed with your officers as part of the conclusion of the accounts audit.

- Debtors and useable capital receipts have both increased by £972,000 – this reflects the balance due as at 31 March 2007 from a major land sale. There are equivalent entries in the fixed asset restatement account and the tangible fixed assets note reflecting the value of the land disposal;
- Creditors have reduced and cash overdrawn has increased by £1.3 million – a credit balance had erroneously been included as a creditor rather than as an item in the bank reconciliation.
- A contingent asset of £400,000 has now been disclosed in note 27 to the accounts – this represents a sum being held in an escrow agreement by the Council's solicitors pending potential claims by a contractor. The Council's interpretation of FRS12 is that this sum should be disclosed as a contingent asset – given the amount involved and the prudent approach being taken by the Council, I have not challenged its accounting treatment.
- The value of council house disposals disclosed in the tangible fixed assets note has increased by £1.3 million to reflect the required revaluation prior to their sale. There is an equivalent entry to the fixed asset restatement account.
- An impairment of £250,000 is now separately disclosed in the tangible fixed assets note – it had previously been included within revaluations.
- Two pieces of land (sold in 2007/08) had been omitted from the asset register – their inclusion results in an increase in the value of land of £234,000 with again a corresponding entry in the fixed asset restatement account.
- The tangible fixed assets note has been amended to show the gross position on additions and disposals/transfers to fixed assets in respect of assets under construction. As a result, additions to assets under construction are shown as £4.1 million and disposals/transfers to fixed assets are shown as £3.1 million.
- Government grants deferred of £1.323 million have been moved in the Income and Expenditure (I&E) account from net operating expenditure to below net operating expenditure as a source of income in accordance with the Statement of Recommended Practice (SORP).
- Unapplied contributions (of £6.3 million) have been moved from the "financing" to the long term liabilities part of the balance sheet. This has the effect of reducing the "net worth" of the Council which in turn leads to an adjustment to the Statement of Total Recognised Gains and Losses which records gains and losses in the balance sheet.
- The "pensions related asset" of £3.6 million has been removed from the Group Accounts on consolidation – its original inclusion was incorrect as it relates to an indemnity granted by Ashfield District Council.
- Two entries in the cash flow statement have been adjusted to reflect the disclosure (gross) of the non domestic rates pool receipt. Other operating cash payments have increased to £25.2 million and other government grants receipts to £16 million.

**Effect on primary financial statements**

The net effect of all the above changes on the primary statements themselves is as follows:

- The net deficit for the year on the I&E account has remained unchanged at £3.297 million;
- The balance carried forward on the general fund has remained unchanged at £3.469 million;
- The total net worth of the Council has reduced from £231.1 million to £226.1 million; and
- The total recognised gains for the year have decreased from £13.5 million to £12.7 million.

Probably the most noteworthy change for the Audit Committee is the increase in useable capital receipts of £972,000.

Yours sincerely

Andrew Blackburn  
*District Auditor*

**cc** Councillor RJ Sears-Piccavey, Chair of the Audit Committee