

AUDIT COMMITTEE

Agenda Item 13

Brighton & Hove City Council

Subject:	Shoreham Airport Statement of Accounts 30 June 2006		
Date of Meeting:	26 June 2008		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
	E-mail:	nigel.manvell@brighton-hove.gov.uk	
Key Decision:	No		
Wards Affected:	All		

FOR GENERAL RELEASE

This report was subject to minor delay (and therefore late despatch) pending final agreement and publication by the Audit Commission.

1 SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents to Members the revised Statement of Accounts for the Shoreham Airport Joint Committee for the period ending 30 June 2006. The accounts were first submitted to Policy & Resources Committee on 28 June 2007 but have now been revised following advice from the external auditors (Audit Commission).
- 1.2 Copies of the Statement of Accounts are available in the Members' rooms.
- 1.3 The external auditor's Annual Governance Report in respect of the audit of the accounts is also on this agenda (item 14). The report refers to the former Shoreham Airport Joint Committee throughout, as this was the entity being audited.

2 RECOMMENDATIONS:

- (1) Note that the Audit Commission has issued a qualified opinion in relation to the accounts of the former Shoreham Airport Joint Committee.
- (2) Approve the qualified Shoreham Airport Statement of Accounts for the period ending 30 June 2006.

3 RELEVANT BACKGROUND INFORMATION:

- 3.1 Shoreham Airport was sold to the Erinaceous Group plc on the 30 June 2006. Therefore, these are the last set of accounts that will be produced and have been compiled for the period 1 April 2006 – 30 June 2006. The Balance Sheet as at 30 June 2006 shows nil balances following the distribution of residual

balances to the council and Worthing Borough Council in the proportion 2/3rd and 1/3rd respectively.

- 3.2 The overarching accounting treatment for the disposal was jointly agreed by council officers and the external auditors prior to the completion of the council's and the Shoreham Airport Statement of Accounts. Technical advice received from the Audit Commission was later reviewed during the audit of the accounts and a revised accounting treatment was subsequently agreed to ensure compliance with reporting standards and the Statement of Recommended Practice (SORP) 2006 which governs the presentation of these accounts.
- 3.3 The main changes to the accounts presented to Policy & Resources Committee concerned the treatment of the loss on disposal, the disposal costs, the sale proceeds from the sale of the airport and subsequent transactions such as the settlement of the airport's debt. The transactions in relation to the loss on disposal (including disposal costs) were previously reported within the council's accounts (as co-owners of the airport) but in the revised statements have been accounted for in the Shoreham Airport statements together with the capital receipt from the sale of the Airport and the settlement of the airport's debt. This revised treatment led to a number of significant changes to various figures and financial statements within the accounts but all of these change were principally related to the one large transaction, i.e. the sale proceeds from disposal of the airport. These changes were of a technical accounting nature and had no impact on the revenue or capital outturn of Brighton & Hove City Council or Worthing Borough Council's General Funds or Shoreham Airport.
- 3.4 Other changes to figures have also been made following the audit, which although material relative to these accounts (see below), are not material to the two owning authorities.
- 3.5 The auditor has given a qualified opinion on the accounts and further details can be found in the Annual Governance Report elsewhere on this agenda. The key issue has been the level of supporting information provided by the council to the auditor in respect of the figures quoted in the Income & Expenditure Account.
- 3.6 Due to the sale, an additional level of audit scrutiny was placed on the accounts to ensure the closing balances and the final distribution to the two owning council's was correct. Council officers have worked closely with the auditors to try and provide the necessary extra information. A significant complicating factor has been that the airport utilised a number of council systems including payroll and creditor systems, and these interrelationships, which are very complex, have all had to be unravelled due to the sale. It is this disaggregation from the council's accounts, together with the very low materiality level that the auditors have applied to the accounts (less than £7,000) that has meant that the level of detail required by the auditors to support the accounting entries was onerous relative to the size of the business.
- 3.7 To achieve an unqualified opinion, further staffing resources would need to be allocated and additional audit fees would also be incurred. Due to the very small figures involved, the allocation of additional resources to the accounts so

that an unqualified opinion can be achieved would not represent good value for money to the council taxpayer.

- 3.8 Overall, the council is satisfied that the entries in the accounts reflect a true and fair view of the financial position. It should be noted that the external auditor has also confirmed that there are no uncorrected mis-statements in the accounts. He has also reported that there were no significant weaknesses in the systems of accounting and financial control. It is therefore the working papers and supporting information to the accounts rather than the substance of the transactions or the presentation of the accounts that is in question.

4 CONSULTATION:

- 4.1 None specific in relation to this report.

5 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 Further work on the accounts to achieve an unqualified opinion would require additional officer time and incur further audit fees.

Legal Implications:

- 5.2 As indicated in section 7 below, the legislation governing the publication and approval of this statement of accounts is the Accounts and Audit Regulations 2003 (as amended) [SI2003/533 as amended by SI2006/564].
- 5.3 The Audit Commission's qualified opinion on the financial statements does not preclude the Committee from approving the Statement of Accounts. The reasons for the qualification are fully set out in the Annual Governance Report ('AGR') and discussed further in the body of this report. Members are referred in particular to the first 'Key Message' (numbered paragraph 6 on page 5) of the AGR (agenda item 14) and to the final paragraph of Appendix 2.
- 5.4 Having noted the Commission's decision to issue a qualified opinion, the reasons behind that decision, and the disproportionate cost involved in securing an unqualified opinion, the Committee is entitled to approve the Statement. If, however, the Committee considered it inappropriate to give their approval, Regulation 10, paragraph 6 of the 2003 Regulations (as amended) sets out the procedure to be followed.
- 5.5 There are no human rights issues arising from this report.

Equalities Implications:

- 5.6 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 5.7 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 5.8 There are no direct crime & disorder implications arising from this report.

Risk & Opportunity Management Implications:

- 5.9 There are no direct risk or opportunity management implications arising from this report.

Corporate / Citywide Implications:

- 5.10 There are no direct corporate / citywide implications arising from this report.

6 EVALUATION OF ANY ALTERNATIVE OPTIONS:

- 6.1 Additional work could be undertaken on the accounts to try and achieve an unqualified audit opinion. However, given the small figures involved, relative to the both Brighton & Hove and Worthing's main accounts – the gross turnover of Shoreham Airport is 1/1000th of the size of the council's expenditure – additional expenditure and resources cannot be justified as any potential mis-statement will not be material to either of the previous owning authorities' main accounts.
- 6.2 There is a provision within the Accounts and Audit (Amendment) Regulations 2006 covering the non-approval of the statement of accounts. In such cases, a further meeting of the Audit Committee should be held within 20 working days to consider the annual accounts. Where the meeting does not resolve to approve the accounts, the council is required, as soon as reasonably practicable, to publish a statement as to the reasons why it cannot approve the accounts.

7 REASONS FOR REPORT RECOMMENDATIONS:

- 7.1 It is a statutory requirement of the current Accounts and Audit Regulations that the Shoreham Airport Statement of Accounts should be approved by Members.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents In Members' Rooms

1. Shoreham Airport Joint Committee - Statement of Accounts 2006/07

Background Documents

None