

Table 1 Adjusted misstatements in the financial statements

The following material and significant adjustments were made to the financial statements following our audit.

Issue	Value of Misstatement £	Impact on surplus/ (deficit)
Both gross income and expenditure on the Consolidated Revenue Account has been overstated by £4.96 million because several internal recharges had not been removed from the accounts presented for audit.	4.96 million	None
The Council had not applied a change in the discount factor (applicable from 1 April 2005) which converts the value of its housing stock from market value to social use. The change was a reduction in the factor from 62 per cent to 50 per cent. The value of the housing stock was overstated by £26.97 million.	26.97 million	None
As a consequence of the valuation error other capital entries in the accounts required amendment: <ul style="list-style-type: none"> - capital charges were overstated by £966,000; - depreciation was overstated by £230,000; and - the value of disposals was overstated by £1,055,000 	966,000 230,000 1,055,000	None
The Council signed a Section 106 agreement with a developer in January 2006 which provided for a capital contribution of £2.5 million from the developer in May 2006. The signed agreement allowed three months should either party wish to challenge it. The Council received the £2.5 million on 2 May 2006. We have taken technical advice and considered in conjunction with officers the relevant financial reporting requirements. As a result, we have agreed with officers that the receipt of the money was an “adjusting post balance sheet event” and that debtors would be increased by £2.5 million in the 2005/06 accounts with a corresponding entry as a deferred credit. An explanatory note has been added to the accounts	2.5 million	None

Qualitative aspects of accounting practices and financial reporting

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We wish to report the following matter to you.

- The format of both the Cash Flow Statement and the Statement of Total Movement in Reserves, both primary statements within the accounts, did not fully comply with CIPFA's 'Code of Practice on Local Authority Accounting in the UK 2005 – A Statement of Recommended Practice' (SORP 2005). Two material amendments were also made to figures in the cash flow statement relating to payments to the capital receipts pool and sales of fixed assets. Neither amendment affected the Council's general fund surplus.