

Uncorrected misstatements

- 1 All non-material items set out in our 2004/05 report were adjusted by the authority. At its meeting last year the Accounts Committee resolved to correct all of the 2004/05 specific non-trifling errors identified by us at the audit regardless of their materiality.
- 2 Management have decided to adjust all non-material misstatements in the 2005/06 financial statements excluding those misstatements that are 'clearly trivial' (as defined in professional auditing standards).
- 3 Following the resolution of final audit queries regarding the uncertainties detailed below, further matters may become material on a cumulative basis and therefore further corrections may be required. Adjustments will be made to the amended Statement of Accounts.

Adjusted misstatements

- 4 These are items that must be corrected before an unqualified audit opinion can be given because they are material to the understanding of the accounts. Members will need to consider whether they want to amend the accounts in these respects.
- 5 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. We therefore draw your attention to the misstatements that management is to adjust in Table 1 below. The items within the table are not all material and/or significant adjustments, but are all adjustments, both significant and non-material, which management have agreed to alter.

Table 1 Adjusted misstatements in the financial statements

- 6 The items within the table are not all material and/or significant adjustments, but are all adjustments, both significant and non-material, which management have agreed to alter.

Issue	Value of misstatement £'000	Impact on surplus/(deficit) £'000
Adjustment to fixed asset note to reflect the capitalisation of costs re Sheepmount project	1,473	nil – note to the accounts
Leases Amounts receivable from leased properties and vehicles (disclosure note required in accounts)	4,249	nil - disclosure note
Deferred charges – grant income	852	nil

Issue	Value of misstatement £'000	Impact on surplus/(deficit) £'000
Understatement of gross income in the revenue account and corresponding overstatement in appropriations sections of the revenue account		
Closure of the housing revenue account Disclosure of this matter on the face of the revenue account and in a note to the accounts is required by the Statement of Recommended Practice	3,497	nil
Statement of total movement in reserves A number of adjustments are required to this statement	Various	Nil - note to accounts
Cash flow statement A number of adjustments are required to this statement	Various	Nil - cash flow statement adjustment
Government grants deferred account Misposting between the capital financing account and government grants deferred account	406	nil
Leases A lease held on a refuse vehicles should be classified as a finance lease rather than an operating lease	114	Further work required to quantify impact
Correction to disposal adjustment re deposits on Sites at Parkhouse Industrial Estate	232	nil
Reversal of revaluation adjustment on assets carried at historical cost (revaluation not required)	548	nil
Reclassification of fishing rights in the financial statements	335	nil
Transfer costs of bridge strengthening works (works completed)	370	nil
To reverse capitalisation of revenue contribution to Anchor Staying Put/CHA void repairs	88	88 – transfer from capital to revenue
Recognition of capital element of the	67	15 – transfer from

Issue	Value of misstatement £'000	Impact on surplus/(deficit) £'000
planning delivery grant		revenue to capital
Application of capital grants regarding Sheepmount	66	nil
Sheepmount – grant receivable Further grant income to be included	105	nil
Correction of error in sample (2005/06 depreciation charge) understatement of depreciation (this issue has been addressed going forward due to the revaluation carried out)	192	nil
Misposting of amortised premia/discounts	83	nil
A number of disclosure adjustments are required to comply with the Statement of Recommended Practice	Disclosure	Disclosure items

- 7 There is no external audit requirement for those adjustments deemed to be significant or material to be reported back to full Council and this course of action is at the Council's discretion.

Uncertainties

- 8 We still have a number of potentially material uncertainties pending the resolution of outstanding items with officers. These relate principally to the following issues:
- Fixed asset revaluations
 - Potential overstatement of fixed asset additions arising from capitalisation of revenue costs
 - Potential reversal of the disposal of leisure assets transferred to Carlisle Leisure Limited
 - Potential overstatement in the carrying value of community assets
- 9 These issues relate to outstanding queries and matters may be resolved satisfactorily without the need for further adjustment. Following discussion with officers and identification of any significant amendments adjustments will be made to the amended Statement of Accounts.