

## Annual Governance Report of the District Auditor

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### Summary

- 1 This paper summarises the key messages, findings and conclusions set out in the Annual Governance Report of the District Auditor in respect of the 2005/06 audit year and advises Members of the action plan arising from the report for monitoring and reporting purposes.

### Background

- 2 The Audit Commission nationally introduced a revised reporting requirement over the summer, which, with effect from this year, now includes a new report to those 'charged with governance' at the Council. The report replaces the previous SAS610 report which previously focused on matters arising from the audit of the statement of accounts. The scope of the new report has been extended and must be considered by the Council before a statutory deadline of the 30 September each year. This report is made in addition to the Annual Audit Letter rather than replacing it. However, the Annual Audit Letter will now be reported later in the reporting cycle than in previous years, slipping from January to March.
- 3 The report focuses on:
  - a) the opinion given on the Council's annual Statement of Accounts (which were extended to include a full Statement of Internal Control (SIC) in the financial year 2005/06) and any matters relating to the audit of the accounts that the District Auditor considers appropriate to raise with Council Members;
  - b) the conclusion reached by the District Auditor on the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources (the VFM conclusions);
  - c) any other matters specifically required by auditing standards such as non-compliance, fraud & corruption, or any inconsistencies in reporting the financial affairs of the Council;
  - d) any other matters of governance interest.

- 4 In addition, the new International Standards on Auditing, which apply from this year, now require a 'letter of representation' to be signed by those charged with Governance (in effect the Chair of this Committee) in addition to the S151 Officer.

## Key issues

- 5 In summary, the key matters arising from the report are that the District Auditor:
  - a) anticipates issuing an unqualified opinion on the accounts by the 30 September 2006 in accordance with the statutory deadline subject to the satisfactory conclusion of a small amount of audit work still on-going at the time of this report (*paragraphs 10 & Appendix 5*);
  - b) notes a number of matters relating to their audit of the accounts for the Committee's attention, number (*paragraphs 14-24*);
  - c) identifies two matters of general governance interest to high-light for Members' attention (*paragraph 26, Table 1*);
  - d) has provisionally concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for the year ending 31 march 2006 (*paragraphs 30-31, Table 2*);
  - e) has not had any reason to exercise his statutory powers to issue any reports in the public interest, make written recommendations to the Council requiring public response or refer the Council for best value inspection to the Audit Commission or direction by the Secretary of State further to the provisions of the Local Government Act 1999 (*paragraphs 32, Table 3*).

## Next steps

- 6 The report has been discussed with officers and an action plan drawn up taking account of officers comments. This needs to be finally agreed with the District Auditor at the time of writing this report and will be tabled at Committee on the 25 September 2006 (following the auditor's return from holiday that day).
- 7 A letter of representation has been prepared for signature by the Chair of this Committee following Members consideration of this item. This has been drafted in accordance with the template provided by the Audit Commission, attached as Appendix 6 to the District Auditor's report and will be brought to the meeting for the Chair to sign. The letter will be pre-signed by the S151 Officer as he is unable to attend Committee that day. This arrangement has been agreed in advance with the auditor.

## Consultation

- 8 The report of the District Auditor has been discussed with the relevant responsible officers and has been approved in draft by the S151 Officer. It is reported here for due consultation with those Members charged with governance at the Council.

## Options

- 9 Not relevant for the purpose of the report.

## Analysis

- 10 Not relevant for the purpose of the report.

## Corporate Objectives

- 11 This report contributes to the overall effectiveness of the Council's management & assurance arrangements in helping to achieve of the following corporate objectives;
- a) Ensure probity, integrity and honesty in everything we do (Objective 8.3).
  - b) Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).
  - c) Improve the forward planning, openness, propriety, speed and effectiveness of decision-making (Objective 8.4).
  - d) Continue to provide sound and timely financial management, and improve medium and long term financial planning. (Objective 8.6).
  - e) Manage the Council's property, IT and other assets on behalf of York residents. (Objective 8.9).
  - f) Implement risk management and business continuity procedures. (Objective 8.10).

## Implications

- 12 There are no financial, HR, equalities, legal, crime and disorder or IT&T implications arising from this report.

## Risk Management Assessment

- 13 The Council will fail to properly comply with legislative and best practice requirements to provide for the proper audit of the authority if it does not consider this report or approve and sign off the letter of representation now required by International Auditing Standards . Any failure to do so would be unlawful and adversely impact on the Council's CPA score for

the Use of Resources in 2006 that would in turn adversely impact on the Council's overall CPA score in 2007.

## Conclusions

- 14 The Annual Governance Report is generally positive and importantly concludes that the Council arrangements for securing VFM are satisfactory and that the District Auditor anticipates issuing an unqualified opinion on the accounts. Both of these matters are crucial to the Council scoring well in the annual Use of Resources CPA refresh exercise for 2006 (the full results of which will be reported in the Annual Audit Letter). Work is now needed to address the matters arising from the action plan and a verbal update of progress will be reported by officers at Committee further to the final action plan being tabled by the District Auditor at the meeting on the 25 September 2006.

## Recommendations

- 15 Members are asked to:

- a) consider the matters set out in the Annual Governance Report presented for discussion by the District Auditor;

Reason

*To ensure the proper consideration of the opinion and conclusions of the District Auditor in respect of the annual audit of accounts and review of the Council's arrangements for ensuring VFM*

- b) consider the action plan arising from the report to be tabled at the meeting by the District Auditor;

Reason

*To ensure appropriate action is being taken by officers to address any matters raised by the District Auditor further to his report*

- c) approve the letter of representation for signature by the Chair of this Committee, having first considered whether it sufficiently reflects the views and beliefs of the Committee as those charged with governance at the Council.

Reason

*To ensure compliance with International Auditing Standards and relevant legislative requirements*

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**Chief Officer Responsible for the report:**

Liz Ackroyd  
Assistant Director of Resources (ARM)

**Report Approved**

*Yes*

**Date** *14 September 2006*

**Specialist Implications Officer(s)** Not applicable

**Wards Affected** Not applicable

All

For further information please contact the author of the report

**Background Papers**

*None*

**Annexes**

**Annex A** *The Annual Governance Report of the District Auditor*

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Annex A

The Annual Governance Report of the District Auditor

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