

The Audit of the Financial Statements 2007/8 – A Progress Report

Summary

1. This report identifies the main conclusions of the Audit Commission in respect of the 2007/8 financial year audit.
2. The recommendations of the Audit Commission are contained in the action plan along with the proposed actions identified.

Background

3. The Audit Commission 'Report on the audit of the financial statements – 2007/8' in respect of York City Council forms a part of the Annual Governance Report, the contents of which were reported to this Committee in September. This in turn feeds into the 'Use of Resources' assessment which is an element of the Council's CPA assessment.
4. The main conclusions of this report, which covers the financial year 2007/08, include the following comments :-
 - The council did not adequately address the issues and weaknesses that we highlighted in our reports from the 2006/7 audit.
 - The council needs to project plan for the financial statements closedown process, and this plan needs to be monitored by senior officers and the Audit and Governance committee, such that those with responsibility for the financial statements are assured that they will be produced on time to the required standard.
 - Significant improvements are required in the quality of the supporting working papers and the timeliness of their production.
 - Communication with the corporate finance department and between finance and property services needs to be improved. Property services, in particular need to be aware of their role in the closedown process, and the importance of their role.
 - Further improvements are required to the asset register spreadsheets.

Improvements already under development

5. During the last three months to this December, a significant programme of work has been developed, seeking to address the concerns as identified by the Audit Commission, but also to place the annual programme of work leading up to the closure of accounts into a more regularised format.
6. A review of the skills and experience of all corporate finance staff has enabled a broader division of the in year and year end tasks. This greater capacity will support improved timeliness in the production of the accounts.
7. Wherever possible in year tasks are being brought up to date in order to minimise year end working.
8. A web portal for the intelligent, hyperlinked filing of all relevant accountancy documents is under development in collaboration with another local authority.
9. A project plan is near completion, enabling task and responsibility identification, capable of regular monitoring.
10. Sufficient time will be allowed prior to the presentation of the draft accounts to members for approval, for thorough checking to take place. In addition it is planned to hold a half day briefing/training session for Members of the Committee a few days prior to the formal Audit Committee meeting in June, to ensure Members fully understand the accounts.
11. A positive relationship is being developed with the Property services representatives. This, along with a thorough review of the asset register, will support a more accurate identification and valuation of the major assets of the council.

Audit Commission Action Plan

12. All of the detail of the recommendations of the Audit Commission and the planned action, and action already completed, is contained in the action plan attached as Annex 1.

Approval Process

13. Members will also recall that the external Auditor also made note of the fact that currently the approval for the Accounts/Annual Governance Statement rests with Full Council, whereas in many authorities this power has been delegated to the Audit Committee. The External Auditor highlighted that this process may affect the timeliness of the presentation of draft accounts for approval by 30 June in each year.
14. At the last meeting of this Committee a recommendation was made for the Monitoring Officer using his delegated powers to review the Constitution in respect of approval of the Accounts and for a potential change to be taken to the Group Leaders for consideration.

15. However, whilst the Monitoring Officer has delegated powers to make minor changes to the Constitution in consultation with Group Leaders, the issue of the functions and powers of the Audit Committee are considered to be significant and as such would require Full Council Consideration.
16. The Audit and Governance Committee are asked to consider what if any further action they wish to consider in respect of this Constitutional Matter, given that the previous recommendation is not considered possible in the way it was described in the approved minutes of the meeting.

Consultation

Consultation has taken place with the Audit Commission, relevant finance staff across the council and with Property services.

Analysis

17. The report is for noting in respect of the Audit Commission recommendations and the related Action Plan.

Corporate Priorities

18. The report addresses the approach being taken to improve the outcomes in respect of the presentation of the Annual Final Accounts. This will have a major impact on the Use of resources score for the Authority.

Implications

19.

- **Financial**

All financial implications are contained within the body of the report.

- **Legal**

All legal implications are contained in the body of the report.

Risk Management

20. All risks are identified within the body of the report, along with the proposals being put in place to minimise the risk of a further adverse report in respect of the production of Final Accounts for the authority.

Recommendations

21. Members are asked to note the work currently ongoing to address the major concerns of the Audit Commission in respect of the production of Annual Accounts.
22. Members are asked to note the Action Plan in respect of proposals to improve the production of the 2008/9 final accounts.
23. Members are asked to determine what further action is necessary in respect of the powers currently vested in the Audit and Governance Committee, and Full Council, with regards to approval of the Statement of Accounts and Annual Governance Statement.

Contact Details

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Report Approved

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Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Audit Commission – Report on The Audit of the Financial Statements 2007/8.

Annexes

Annex 1 - Report on the audit of the financial statements – Action Plan