



Audit and Governance Committee

21 September 2009

Report of the Director of Resources

Annual Governance Report – Audit Commission

Summary

1. The International Standard on Auditing (United Kingdom and Ireland) – ISA (UK&I) - 260 requires the Audit Commission to report to those 'charged with governance', issues arising from the audit of Financial Statements. The purpose of this report is to bring to Members attention the Audit Commission's Annual Governance Report, agree the Council's response and seek approval to changes to the 2008/09 Financial Statements. A copy of the Audit Commission report is attached at Annex A.

Background

2. In 2006 the Audit Commission introduced revised reporting arrangements that included a new requirement for an Annual Governance Report to be presented to those 'charged with governance' at the council, this requirement has been retained under the new Comprehensive Area Assessment (CAA). The report 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 which will be published in December 2009.
3. International Standard on Auditing (ISA) 260 also requires the Audit Commission to give an opinion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion). An unqualified Audit Opinion on the Council's arrangements is anticipated by the 30th September 2009.
4. The Pre-Audit Statement of Accounts 2008/09 were approved by Audit and Governance Committee on 29th June 2009 in accordance with the planned timetable and statutory deadline. Various improvement activities that had been introduced to the Closure of Accounts process were outlined in the covering report presented to the Committee.
5. The nature of the continuing work on the audit of the financial statements accounts has necessitated a delay in the production of these papers. This has resulted from the extremely tight timescales involved in the project, and the need to provide Members with the most up-to date agreed position on the audit for consideration at the meeting. The audit of the accounts will formally continue until the statutory deadline of the 30th September 2009 however during the course of the audit to date, a number of material misstatements

have been identified which the Council proposes to amend, Appendix 2 of the Annual Governance Report schedules those misstatements that the auditor considers are non-trivial.

6. Appendix 3 of the Annual Governance Statement provides an analysis of misstatements to the accounts which the Council proposes not to amend the accounts to reflect. A Letter of Representation (as required by International Auditing Standards) has been prepared for signature by the Chair of this Committee following members consideration of this item. The Letter of Representation will explain that management believes the unadjusted amendments scheduled in Appendix 3 to be immaterial, both individually and in aggregate, to the financial statements as a whole. The letter has been drafted in accordance with the template provided by the Audit Commission. The Council's S151 Officer will also be required to sign this letter.
7. In addition to the Annual Governance Report, a detailed schedule of amendments to the accounts has been provided at Annex B. This annex provides a comprehensive analysis of the impact of the changes referred to in the Annual Governance Report, together with details of trivial changes to the pre-audit statement of accounts which have not been detailed in the Annual Governance Report. A revised Statement of Accounts reflecting all the agreed changes will be available on the day of the meeting to be re-approved by Audit and Governance Committee and signed by the Chair of the meeting.
8. The Annual Governance Report acknowledges significant improvements in the process for closing the accounts. In particular, queries have generally been turned round in accordance with a new protocol agreed with the Auditors. Improvements to the internal Quality Assurance (QA) process have resulted in fewer issues being identified by the Audit Commission, although it is recognised that the internal QA process needs to be embedded even further into the Close of Accounts process for future years in order to ensure fewer errors are presented as part of the Pre-Audit Statement of Accounts.
9. The production of the Statement of Accounts is the subject of continuous review and further improvements will be sought in 2009/10. This will be another challenging year bearing in mind the preparation required towards the implementation of International Financial Reporting Standards (IFRS) in 2010/11, a topic which is the subject of a further report on this agenda.
10. The Annual Governance Report contains an Action Plan which highlights a number of areas for improvement, all of which will be monitored by a Governance Group chaired by the Director of Resources. Key matters raised within the report, which remain unresolved during 2009/10 will be feature in the Annual Governance Statement for 2009/10.

Consultation

11. The report of the External 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

12. Not relevant for the purpose of the report.

Analysis

13. Not relevant for the purpose of the report.

Corporate Priorities

14. This report contributes to the overall effectiveness of the council's governance and assurance arrangements. It directly contributes to the corporate priority of 'An effective Organisation' in enhancing financial use of resources within the council.

Implications

15. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

Risk Management

16. The council will fail to 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.
17. By not responding effectively to the matters contained in this report, the council will fail to properly comply with legislative and best practice requirements, and its performance in future CAA assessments could be adversely affected.

Recommendations

18. Members are asked to:
 - (a) note and discuss the matters set out in the Annual Governance Report presented for discussion by the External Auditor;

Reason

To ensure the proper consideration of the opinion and conclusions of the External Auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

- (b) consider the action plan arising from the report as set out in Appendix 5 to the External Auditor's report;

Reason

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

- (c) Consider the items identified in Appendix 2 of the Annual Governance Report and agree to amend the 2008/09 Statement of Accounts for those items.
- (d) Consider the items identified in Appendix 3 of the Annual Governance Report and agree not to amend the 2008/09 Statement of Accounts for those items.
- (e) Approve the amended Statement of Accounts 2008/09
- (f) 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.

- (g) Note the anticipated receipt of an unqualified Audit Opinion to both the Statement of Accounts 2008/09 and the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Reason

To ensure Members of the Audit and Governance Committee are aware of any matters arising from the annual audit of the Statement of Accounts.

- (h) Note the improvements to the Closure of Accounts process in 2008/09.

Contact Details

Author:

Keith Best
Assistant Director (Finance)
Telephone: 01904 551745

Chief Officer Responsible for the report:

Ian Floyd
Director of Resources
Telephone: 01904 551100

Report Approved



Date 15/9/09

Specialist Implications Officers

Not applicable

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Audit and Governance Committee 29th June 2009 – Statement of Accounts 2008/09

Annex

Annual Governance Report 2008/09