
Audit and Governance Committee

29 September 2010

Report of the Director of Customer & Business Support Services

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 2009/10 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 the requirement for an Annual Governance Report to be presented to those ‘charged with governance’ at the council. 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 2010.
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 2010.
4. The Pre-Audit Statement of Accounts 2009/10 were approved by Audit and Governance Committee on 29th June 2010 in accordance with the planned timetable and statutory deadline. The main changes to the accounts were outlined in the covering report presented to the Committee and included the changes in the accounting treatment of the Private Finance Initiative (PFI), the revised accounting treatment for the collection fund - the accounting for council tax / National Non-Domestic Rate (NDR) accrual, provide greater transparency in disclosure of Senior Officer Remuneration and produce group accounts for the first time in 2009/10. The Audit Commission found that in all these instances that they were satisfied that the new requirements had been met and produced in line with current accounting guidance.
5. The 2009/10 audit is now substantially complete. The audit of the accounts will formally continue until the statutory deadline of the 30th September 2010,

however it is not expected that the position will change significantly from this report. During the course of the audit to date, a number of material misstatements have been identified which the Council proposes to amend, paragraphs 10 to 12 of the Audit Commissions Annual Governance Report attached at Annex A details these “Errors in the financial statements”. Paragraph 13 of the Annual Governance Statement provides information of a misstatement to the accounts which the Council proposes not to amend and not reflect in the accounts.

6. 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 Council’s S151 Officer will also be required to sign this letter. The Letter of Representation will include information to show that the accounts show a true and fair view of the financial position and financial performance of the Council and also explain that management believes the uncorrected misstatements 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.
7. In addition to the Annual Governance Report, a detailed schedule of amendments to the accounts has been provided at Annex B. 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 Audit Commissions Annual Governance Report at paragraph 16 acknowledges that on the whole for the key areas of judgment and audit risk that (i) new accounting treatment for the PFI under IFRIC 12 have been met, (ii) group accounts produced for the first time in 2009/10 are in line with current accounting guidance and (iii) the SORP changes and additional disclosure requirements have been fully and accurately complied with. The Audit Commission did acknowledge that the fixed asset register has improved but errors were identified again in 2009/10. The fixed asset register along with the significant changes required under International Financial Reporting Standards (IFRS) for the production of the 2010/11 will remain the focus for the remainder of this 2010/11 year.
9. The production of the Statement of Accounts is the subject of continuous review and further improvements will be sought in 2010/11. This year will be demanding in light of the preparation required towards the implementation of International Financial Reporting Standards (IFRS), a topic which is the subject of a further report on this agenda.

Consultation

10. 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.

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 items identified as material misstatements in paragraphs 10 to 12 of the Annual Governance Report at Annex A and agree to amend the 2009/10 Statement of Accounts for those items.
- (c) Consider the item identified in paragraph 13 of the Annual Governance Report at Annex A and agree not to amend the 2009/10 Statement of Accounts for that item.
- (d) Approve the amended Statement of Accounts 2009/10

- (e) 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.

- (f) Note the anticipated receipt of an unqualified Audit Opinion to both the Statement of Accounts 2009/10 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.

Contact Details

Author:

Keith Best
Assistant Director (Finance)
Telephone: 01904 551745

Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business Support Services
Telephone: 01904 551100

Report Approved



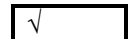
Date 21/09/10

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 2010 – Statement of Accounts 2009/10

Annex

Annex A - Annual Governance Report; City of York Council; Audit 2009/10
Annex B – Schedule of Changes to the Pre-Audit Statement of Accounts 2009/10