
Audit and Governance Committee

27 September 2012

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 2011/12 Financial Statements. A copy of the Audit Commission Annual Governance 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 (AGR) to be presented to those ‘charged with governance’ at the council. The council must consider the report before a statutory deadline of the 30 September each year.
3. The AGR is made in addition to the Annual Audit Letter. The Annual Audit Letter is published after the audit certificate and opinion have been issued and is published on the Council’s and Audit Commission’s website A draft of the proposed Annual Audit Letter is attached at Annex B.
4. 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 2012.

5. The Pre-Audit Statement of Accounts 2011/12 were approved by the Director of Customer & Business Support Services on 30th June 2012 in accordance with the planned timetable and revised Accounts and Audit Regulations.
6. The 2011/12 audit is now substantially complete. The audit of the accounts will formally continue until the statutory deadline of the 30th September 2012, 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 errors have been identified which the Council proposes to amend, pages 6 and 7 of the Audit Commission's Annual Governance Report attached at Annex A details these "Errors adjusted by management". There are 2 immaterial misstatements that have been identified, but not adjusted, and these are included in the Letter of Representation.
7. The Letter of Representation (as required by International Auditing Standards) has been prepared which the Council's S151 Officer – Director of Customer Business & Support Services - will be required to sign. The Letter of Representation includes information to show that the accounts show a true and fair view of the financial position and financial performance of the Council.
8. The letter of Representation also explains that management believes the 2 uncorrected misstatements to be immaterial, both individually and in aggregate, to the financial statements as a whole – (i) Civic regalia valued at £145,000 included twice in error (ii) PFI prepayments and liabilities both understated, the net impact on the accounts is £164,000. The letter has been drafted in accordance with the template provided by the Audit Commission and is located at Annex A in the Audit Commission's Annual Governance Report at Appendix 2.
9. A revised Annual Financial Report - Statement of Accounts 2011/12 reflecting all the agreed changes has been provided as a separate item on this agenda. Approval is required in the recommendations of this report.
10. In planning their work, the Audit Commission identified nine key areas of risk that have been considered during the audit. The Annual Governance Report on pages 7 to 9 details the findings on these areas. Seven out of the nine risks identified were adequately controlled, with Heritage Assets being immaterial misstated (£145k was double counted) and the valuations of Property Plant and

Equipment resulted in the correction of an error as previously noted. In order to improve further the recognition of non-current assets in the accounts in 2012/13 the CIPFA Asset Register is being utilised to minimize errors / immaterial misstatements in future.

11. The Audit Commission's Annual Governance Report on page 9 confirms that there are adequate arrangements in place to ensure that the systems of internal financial control are effective in practice. Other matters that have been raised include Cash and Bank – where the process has significantly improved from previous years being more transparent - and component accounting.
12. The production of the Statement of Accounts is the subject of continuous review and improvements will be sought in 2012/13. This year will focus on (i) enhanced project planning to ensure tighter more efficient deadlines are achieved (ii) increased frequency of meetings with the new external auditors - Mazars (iii) further specific training sessions / communication with accountants

Consultation

13. The report of the External Auditor has been discussed with the relevant responsible officers and has been approved in draft by the S151 Officer – Director of Customer Business & Support Services. It is reported here for due consultation with those members charged with governance at the council.

Options

14. Not relevant for the purpose of the report.

Analysis

15. Not relevant for the purpose of the report.

Corporate Priorities

16. This report contributes to the overall effectiveness of the council's governance and assurance arrangements.

Implications

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

Risk Management

18. 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 the Statement of Responsibility in the Accounts.
19. 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

20. Members are asked to:

- (a) Note and discuss the matters set out in the Annual Governance Report, Annex A, 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 on pages 6 and 7 of the Annual Governance Report at Annex A (Errors adjusted by management) and agree to amend the 2011/12 Statement of Accounts for those items.
- (c) Approve the amended Annual Financial Report - Statement of Accounts 2011/12 for signature by the chair from a resolution of this Audit & Governance Committee of City of York Council in accordance with the Accounts and Audit Regulations 2003 (as amended)
- (d) Approve the letter of representation attached at Annex A – Audit Commissions Annual Governance Report – Appendix 2, 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.

- (e) Note the anticipated receipt of an unqualified Audit Opinion to both the Statement of Accounts 2011/12 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.

- (f) Note the Draft Annual Audit Letter at Annex B which will be published on the Council's and Audit Commission's website at the conclusion of the audit.

Contact Details

Author:

Louise Branford-White
Technical Finance Manager
Telephone: 01904 551745

Chief Officer Responsible for the report:

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

**Report
Approved**



Date 27/09/12

Specialist Implications Officers

Not applicable

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Audit and Governance Committee 27th July 2012 – Pre-Audit Statement of Accounts 2011/12

Annex

Annex A Annual Governance Report; City of York Council; Audit
2011/12

Annex B Annual Audit Letter