

## 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 2006/07 audit year and advises Members of the action plan arising from the report for forward monitoring and reporting purposes.

### Background

- 2 The Audit Commission nationally introduced a revised reporting requirement in the summer of 2006 that included a new requirement for an annual governance report to those 'charged with governance' at the Council. The report replaces the previous SAS610 report which had formerly focused principally 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. As a consequence the Annual Audit Letter is now 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 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 have applied from 2005/06) 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 the audit work still on-going at the time of this report (*paragraphs 6&7 & Appendix 6*);
  - b) notes a number of significant matters relating to their audit of the final accounts for the Committee's attention, including:
    - an outstanding matter arising from this year's audit of the accounts of material concern to the District Auditor (*paragraph 14*);
    - a number of agreed adjustment to the financial statements following the audit (*paragraphs 18-22*);
    - matters of concern to the District Auditor regarding certain qualitative aspects of the Council's accounting practices and financial reporting arrangements (*paragraphs 24-31*);
  - c) identifies one matter of general governance interest in respect of the internal control environment to high-light for Members' attention (*paragraphs 32&33*);
  - d) has concluded that the Statement of Internal Control has been prepared in accordance with proper practice as specified by CIPFA and accords with the Audit Commission's findings from audit (*paragraph 8*);
  - e) has 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 (*paragraph 9*);
  - f) work is on-going in respect of the Use of Resources assessment for 2007. The outcomes of this will be reported to Members at the December meeting of A&G.
- 6 In addition, the District Auditor 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.

## Next steps

- 7 The report has been discussed with officers and an action plan drawn up taking account of officers comments as set out in Appendix 1 to the District Auditor's report. 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 5 to the District Auditor's report and will be brought to the meeting for the Chair to sign. The letter also needs to be signed by the Acting Chief Executive as he was the S151 Officer at the date when the accounts were approved. Unfortunately he is unable to attend Committee and therefore the letter will be pre-signed. 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 Priorities

- 11 The external audit of the organisation contributes to the achievement of Corporate Priority Improvement Statement 13 'To improve efficiency and reduce waste to free up more resources'.

## 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 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 2007 that would in turn adversely impact on the Council's overall CPA score in 2008.

## Conclusions

- 14 The Annual Governance Report is generally positive and importantly concludes that the Council arrangements for the Statement of Internal Control (SIC) and for securing Value for Money (VFM) are satisfactory and that the District Auditor anticipates issuing an unqualified opinion on the accounts. Clearly, these matters are crucial to the Council scoring well in these respect in relation to the annual Use of Resources Comprehensive Performance Assessment (CPA) refresh exercise for 2007 (the full results of which will be reported in the Annual Audit Letter). The specific matters raised by the District Auditor at paragraphs 12-31 in relation to the final accounts audit are of immediate concern however and Members will wish to seek the necessary assurances from the relevant officers (who will be attending Committee on the 24 September) that all due remedial work has been and/or will be undertaken in accordance with the action plan set out in Appendix 1 of the District Auditor's report.

## Recommendations

- 15 Members are asked to:
- a) note and discuss the matters set out in the Annual Governance Report presented for discussion by the District Auditor and in particular to consider:
- the matters raised in the report before the amended Statements of Account re-submitted for discussion and approval elsewhere on the agenda for this Committee on the 24 September are approved;
  - the letter of representation to be signed by the Chair of this Committee on behalf of the Council and those charged with governance.

### 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 as set out in Appendix 1 to the District Auditor's report.

### 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** 13 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*