

COMMITTEE: **AUDIT AND GOVERNANCE**

DATE: **24 SEPTEMBER 2009**

SUBJECT: **EXTERNAL AUDITOR'S ANNUAL REPORT TO
THOSE CHARGED WITH GOVERNANCE**

REPORT BY: **HEAD OF CORPORATE FINANCE**

CONTACT OFFICER: **JEAN STEVENSON** **01582 546127**

IMPLICATIONS:

LEGAL		COMMUNITY SAFETY
EQUALITIES		ENVIRONMENT
FINANCIAL	✓	CONSULTATIONS
STAFFING		RISK ✓

WARDS AFFECTED: None

PURPOSE

1. To enable the External Auditors to report to the Committee on their audit of the Council's accounts, their views on the Council's arrangements to secure value for money, the Auditor's and Council's responsibilities, and matters arising from the Audit.

RECOMMENDATION(S)

2. **Audit and Governance Committee is recommended to**
 - 1) **agree the management action plan as set out in Appendix D of the report of the External Auditor;**
 - 2) **agree that the changes to the accounts set out in Appendix B of the report of the External Auditor should be made in the 2008/09 accounts,**
 - 3) **note the unadjusted misstatement as set out in Appendix C of the report of the External Auditor.**

- 4) **approve the signing of the finalised Statement of Accounts and the Management Letter of Representation .**
- 5) **note that the implications and resource requirements relating to the introduction of International Financial Reporting Standards (IFRS).**

BACKGROUND

3. This is a key annual report in accordance with statutory and proper practices. The most fundamental issue is whether the Auditor is able to issue an unqualified opinion on the Council's accounts to enable them to be published with the opinion by the 30 September statutory deadline. The Auditors report is also required to comment on detail on the audit, noting all errors and changes to the accounts that are required, and to come to a conclusion on the Council's arrangements for achieving value for money.

REPORT

4. It is pleasing to note that:
 - at the time of reporting, the Auditor expects to be able to issue an unqualified opinion on both the Council's accounts, and on the Council's arrangements for achieving value for money.
 - The Auditor has concluded that 'the Council has provided good quality accounts'.
 - The Auditor has concluded that the Council's Annual Governance Statement is 'a comprehensive and well structured assessment of the Council's governance arrangements'.
5. The Auditor has noted some areas where refinements have been required in the accounts and corrections of figures in some notes have been required. It should be said that none of these impact on the bottom-line, in terms of the effect on the Council taxpayer, the Income and Expenditure Account or the Balance Sheet.

Resourcing and Training issues arising

6. There will be major changes in future years, with the introduction of International Financial Reporting Standards (IFRS) from 2010/11. It is important that the Council's accountants receive appropriate training in how these developments affect the accounts, and that expertise in accounts closure is more widely shared than in the past. It is also important that the implications of the IFRS introduction are assessed in conjunction with the auditors. Every effort is being made to deal with these issues within existing resources. However, the potential for further resource requirements does need to be recognised.

PROPOSAL/OPTION

7. The Committee can agree with the management response, or amend it. However, the requirement to publish the audited statement of accounts by 30 September does limit what can effectively be done.

FINANCIAL IMPLICATIONS

8. The statement of accounts is the Council's principal public financial statement.

RISK IMPLICATIONS

9. If the accounts are not agreed with the auditor and published by the end of September, the Council will not have met its obligations under the Audit and Accountancy regulations. This could impact negatively on its Use of Resources score, which is an important part of the overall external judgement on the Council.

LEGAL IMPLICATIONS

10. There are no legal implications. Agreed with Richard Stevens on 21st September 2009.

APPENDICES

Appendix A - Annual Report to those charged with Governance 2008/09, produced by Grant Thornton UK LLP.

Appendix B – Letter of Representation.

LIST OF BACKGROUND PAPERS

LOCAL GOVERNMENT ACT 1972, SECTION 100D

None.