

**COMMITTEE:**                    **AUDIT AND GOVERNANCE**

**DATE:**                        **22 SEPTEMBER 2010**

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

**REPORT BY:**                **HEAD OF CORPORATE FINANCE**

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

**IMPLICATIONS:**

<b>LEGAL</b>		<b>COMMUNITY SAFETY</b>
<b>EQUALITIES</b>		<b>ENVIRONMENT</b>
<b>FINANCIAL</b>	✓	<b>CONSULTATIONS</b>
<b>STAFFING</b>		<b>RISK</b> ✓

**WARDS AFFECTED: None**

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**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 2009/10 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, attached at Appendix A, 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 timely accounts and sound working papers'.
  - 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 two issues where amendments to the figures in the Balance Sheet have been required. One of these is a technical accounting issue, where land leased by the council to the Airport Company had been accounted for as an investment property, it has now been reclassified as an operational asset as required by the relevant accounting standard.
6. The other issue involves a number of capital invoices paid in the new year which should have been accrued to the previous year, but had not been identified by departments. This would not have been a material issue, except for two particularly large invoices which were not paid until the end of April and due to the method of payment used did not appear in the ledger until mid-May.
7. A number of corrections of figures in some notes have also been required. None of these changes, including the changes to the Balance Sheet,

impact on the bottom-line, in terms of the effect on the Council taxpayer, the Income and Expenditure Account and the net worth of the Council on the Balance Sheet.

### **Resourcing and Training issues arising**

8. There will be major changes in future years, with the introduction of International Financial Reporting Standards (IFRS) in the current year. It is important that the Council's accountants continue to receive appropriate training in how these developments affect the accounts, and that expertise in accounts closure is more widely shared than in the past. 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.

### **Letter of Representation and revised Statement of Accounts**

9. Attached at Appendix B and Appendix C are the Letter of Representation and the revised Statement of Accounts. The committee are asked to approve both of these documents.

### **PROPOSAL/OPTION**

10. 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**

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

### **RISK IMPLICATIONS**

12. 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**

13. There are no legal implications. Agreed with Richard Stevens on 10<sup>th</sup> September 2010.

## **APPENDIX**

Appendix A - Annual Report to those charged with Governance 2009/10,  
produced by Grant Thornton UK LLP. (Pages 10/5-10/38)

Appendix B – Letter of Representation. (Page 10/39-10/41)

Appendix C – Revised Statement of Accounts 2009/10 (10/42-10/164)

## **LIST OF BACKGROUND PAPERS**

### **LOCAL GOVERNMENT ACT 1972, SECTION 100D**

None.