

AGENDA ITEM:**9****COMMITTEE: AUDIT AND GOVERNANCE****DATE: 21 SEPTEMBER 2011****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:**
 - (i.) agree the management action plan as set out in Appendix D of the report of the External Auditor;
 - (ii.) to note that the changes to the accounts set out in Appendix B of the report of the External Auditor have been made in the final version of the 2010/11 accounts,
 - (iii.) note the unadjusted misstatement as set out in Appendix C of the report of the External Auditor.
 - (iv.) approve the signing of the finalised Statement of Accounts and the Management Letter of Representation .

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. The Auditor has issued a draft unqualified opinion on both the Council's accounts and on the Council's arrangements for achieving value for money.
5. The Auditor has noted one issue where amendments to the figures in the Balance Sheet were been required and a separate issue where amendments to the figures in the Comprehensive Income and Expenditure Statement were required. In addition, post balance sheet events have led management to decide to raise an additional creditor, which was not included in the draft accounts. These changes have also effected the Movement in Reserves Statement and the Cash Flow Statement.
6. The issue effecting the balance sheet was the classification of investments between short term and cash equivalents. Some investments made for more than three months, but with less than three months to run at the balance sheet date had been misclassified as cash equivalents.
7. The issue effecting the Comprehensive Income and Expenditure Statement was the value of capital grants that needed to be recorded as income. Further detailed working during the audit identified further balances that needed to be recorded in the Statement.
8. Members will be aware that the Secretary of State has recently indicated that he is "minded" to give the Council a capital grant in 2011-12 to reimburse the expenses incurred on the school projects which were cancelled when the government stopped the Building Schools for the Future programme. As no asset will now be created, these expenses are revenue costs and have now been accrued into 2010-11, with an equivalent reduction in the amount being placed into the reorganisation reserve. Once any funds are received from government, officers will report to members to identify the best way to fully neutralise the impact of this in the accounts over the two years.

9. 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.

Letter of Representation and revised Statement of Accounts

10. Attached at Appendix B is the Letter of Representation. The committee are asked to approve this. The Statement of Accounts is covered in the next report on this Agenda.

PROPOSAL/OPTION

11. 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

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

RISK IMPLICATIONS

13. 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.

LEGAL IMPLICATIONS

14. Approval of the 2010/11 Statement of Accounts by 30th September is a requirement under the Accounts and Audit Regulations. There are no legal implications. Agreed with J. Newman on 16 September 2011.

APPENDICES

Appendix A - Annual Report to those charged with Governance 2010/11, produced by Grant Thornton UK LLP.
Appendix B – Letter of Representation.

LIST OF BACKGROUND PAPERS **LOCAL GOVERNMENT ACT 1972, SECTION 100D**

None.