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|   |  | Insert name and date of meeting in this box. | Agenda Item No. |
| <b>Title</b>   |  | Annual Governance Report from External Audit |                 |
| <b>For further information about this report please contact</b>  |  | Mike Snow                                    |                 |
| <b>Service Area</b>  |  | Finance                                      |                 |
| <b>Wards of the District directly affected</b>   |  | All  |                 |
| <b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b> |  | No   |                 |
| <b>Date and meeting when issue was last considered and relevant minute number</b>  |  | Executive 10 September 2007                  |                 |
| <b>Background Papers</b>   |  |  |                 |

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|--|----|
| <b>Contrary to the policy framework:</b>                                   | No |
| <b>Contrary to the budgetary framework:</b>                                | No |
| <b>Key Decision?</b>   | No |
| <b>Included within the Forward Plan? (If yes include reference number)</b> | No |

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|--|-------------|-------------|
| <b>Officer/Councillor Approval</b>   |             |             |
| With regard to officer approval all reports <u>must</u> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s). |             |             |
| <b>Officer Approval</b>  | <b>Date</b> | <b>Name</b> |
| Relevant Director  |             |             |
| Chief Executive  |             |             |
| CMT  |             |             |
| Section 151 Officer  |             |             |
| Legal  |             |             |
| Finance  |             |             |
| Portfolio Holder(s)  |             |             |
| <b>Consultation Undertaken</b>   |             |             |
| Please insert details of any consultation undertaken with regard to this report.   |             |             |
|  |             |             |
|  |             |             |
| <b>Final Decision?</b>   |             | Yes/No      |
| <b>Suggested next steps (if not final decision please set out below)</b>   |             |             |
|  |             |             |

## **1. SUMMARY**

- 1.1 Appendix A is the draft Annual Governance Report from the Council's External Auditors. This report discusses the main issues arising within that report.

## **2. RECOMMENDATION**

- 2.1 The Executive considers the draft Annual Governance report.
- 2.2 The Executive agree to the adjustments to the 2007/08 Statement of Accounts as detailed in Appendix 2 of the draft Annual governance Report.

## **3. REASONS FOR THE RECOMMENDATION**

- 3.1 Under the International Standard on Auditing 260, the Council's external Auditors, the Audit Commission, are required to report on their findings from the 2007/08 audit. It identifies the key issues that members should consider before the auditors issue their opinion, conclusion and certificate.
- 3.2 At this stage the audit is not complete. The necessary fieldwork has been completed, However work is still on going to resolve issues arising out of the reconciliation of the legal records to the asset register held within Finance. Until this work is complete the opinion on the accounts cannot be concluded. It is this work on the fixed assets which is causing the delay in the auditors issuing their opinion.
- 3.3 The attached report (Appendix A) from the external auditors is at this stage draft. It is hoped that all the necessary work will be completed shortly which will enable the audit opinion to be issued shortly, and for a final Annual Governance report to be issued to the December Executive.
- 3.4 The external auditors will address the Audit and Resources Scrutiny Committee directly on the Annual Governance report, as the Council's Audit committee. However, as it is the Executive that is charged with governance of the Council, it is believed to be appropriate that the report is presented to the Executive also.
- 3.5 Appendix 2 of the draft Governance Report details several adjustments to the accounts that were agreed by the Council in June 2008 that are deemed to be material that are being recommended agreement to be changed. The number and size of these adjustments are greater than those required in previous years. Appendix B to this report details these adjustments, explaining how they arose and what they mean. In making these adjustments, the Council's overall net expenditure on revenue or capital is unchanged.
- 3.6 In compiling the accounts, the accountants had to comply with the new 2007 Statement of Recommended Practice (SORP) which was published during 2007/08. Whilst the SORP does change most years, the changes effective for 2007/08 were generally recognised as being far more extensive than in previous years. In addition, it should be noted that the accountants have to work to extremely tight deadlines to complete the accounts within the General Ledger and to compile the Statement of Accounts. These deadlines are worsened by the long lead times needed to get reports to members. For example, the Final Accounts report considered by members on 4 June would have had to be drafted by 13 May and finalised by 20 May. Similar tight deadlines existed for getting the full Statement of Accounts to Council on 25 June 2008.

- 3.7 A full review is being undertaken with regards to the issues that have arisen relating to the 2007/08 accounts so as to ensure a smoother closedown and audit in the future. Already, more work is being undertaken on an ongoing basis throughout the year certain tasks, so as to reduce the workload at year end. In planning for the completion of the Accounts in future years, the accountants are also mindful of the International Financial Reporting Standards (IFRS) which are to be applicable to local authority accounts from 2010/11, with some aspects from 2009/10.
- 3.8 The Letter of Representation will be issued by the Council's Chief Finance Officer immediately prior to the auditors issuing their opinion on the account. This will be reported to the December Executive.

#### **4. ALTERNATIVE OPTION CONSIDERED**

- 4.1 No alternative options were considered because this needs to be reported to those 'charged with governance'.

#### **5. BUDGETARY FRAMEWORK**

- 5.1 The Statement of Accounts 2007/08 is an historic account of the financial performance of the year and shows comparison with the budget for 2007/08 and the results for 2006/07

#### **6. POLICY FRAMEWORK**

- 6.1 By considering and scrutinising the report members are acting in accordance with their priority of managing services openly, effectively and efficiently