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|  <b>Finance &amp; Audit Scrutiny Committee</b><br><b>- 21 September 2011</b>  |   | <b>Agenda Item No.</b><br><br><b>4</b> |
| <b>Title</b>   | <b>Annual Governance Report from External Audit</b> |  |
| <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>   | N/A   |  |
| <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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006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>  | Finance and Audit Scrutiny Committee 12 July 2011   |  |
| <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 <i>must</i> be approved by the report author's relevant Deputy Chief Executive, Finance, Legal Services and the relevant Portfolio Holder(s). |             |               |
| <b>Officer Approval</b>   | <b>Date</b> | <b>Name</b>   |
| Deputy Chief Executive  | 13/9/11     | Andy Jones    |
| Chief Executive   | 13/9/11     | Chris Elliott |
| CMT   | 13/9/11     |               |
| Section 151 Officer   | 13/9/11     | Mike Snow     |
| Legal   |             |               |
| Finance   | 13/9/11     | Mike Snow     |
| Portfolio Holder(s)   | 13/9/11     | Andrew Mobbs  |
| <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 The Council's external auditors have now issued their final Annual Governance Report in respect of 2010/11, which is attached. This follows the completion of their audit of the 2010/11 Statement of Accounts for which they propose to issue an unqualified audit opinion. The audited accounts are due to be agreed by full Council on 22 September, following which they will be published ahead of the 30 September deadline.

## 2. **RECOMMENDATION**

- 2.1 That the Finance and Audit Scrutiny Committee note the 2010/11 Annual Governance Report (Appendix 1).
- 2.2 Finance and Audit Scrutiny Committee note the adjustments to the financial statements which are set out in the Governance Report.
- 2.3 Approve the letter of representation, provided alongside the Governance Report as Appendix 2, on behalf of the Council before the District Auditor issues his opinion and conclusion.

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

- 3.1 The Finance and Audit Scrutiny Committee, and the Council's audit committee, are expected to consider the Annual Governance Report. Under the International Standard on Auditing 260, the Council's external Auditors, the Audit Commission, are required to report on their findings from the 2010/11 audit, Appendix 1. This identifies the key issues that members should consider before the auditors issue their opinion, conclusion and certificate.
- 3.2 Some changes are proposed to the original Statement of Accounts prepared in June. These changes have been included within the Statement of Accounts due to be approved by Council on 22 September.
- 3.3 The Council also needs to provide a letter of Representation to the auditors. This is attached as Appendix 2.

## 4. **ALTERNATIVE OPTION CONSIDERED**

- 4.1 No alternative options were considered because the Annual Governance Report needs to be reported to the Council's audit committee.

## 5. **BUDGETARY FRAMEWORK**

- 5.1 The amendments proposed to the accounts will not change the surplus on the General Fund for 2010/11, nor the "net worth" of the Council as shown the Balance Sheet, totalling £304m. The changes proposed to the accounts do not release any additional resources for the Council.

## 6. **POLICY FRAMEWORK**

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

## 7. **BACKGROUND**

- 7.1 The Statement of Accounts were duly prepared by the required date of 30 June 2011, and signed by the Responsible finance Officer. These were subsequently presented to the Finance and Audit Scrutiny Committee in July for consideration. The audit of the accounts by the Audit Commission commenced in August.
- 7.2 The main issue arising from the Governance report is the proposal to issue an unqualified opinion on the 2010/11 Accounts. Whilst there are some changes proposed to the Accounts that members considered in July, these are not believed to be significant and not untypical for any local authority given the complexity of the accounting requirements.
- 7.3 The main change proposed to the accounts are detailed in paragraphs 7-11 of the report. The net effect of these changes is shown in Appendix 2 of the Governance Report.
- 7.4 Whilst there are some changes to the earlier Statements, as acknowledged in the Governance Report, given the size and complexity of the statements, it is almost inevitable that there will be some changes. The number and the magnitude of the changes are considered to be low when considering that 2010/11 was the first year of the accounts being prepared under the International Financial Reporting Standards, with there being many additional requirements.
- 7.5 Overall the audit has gone well, with the auditors pleased with the supporting working papers and responses from officers. However, consideration is being given to increase the quality control in the preparation of the Statements in the future in accordance with the Recommendation on page 9 of the Governance Report.
- 7.6 The Governance Report also includes details of the 2010/11 Value For Money Conclusion for 2010/11. The report states that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources.