

 Finance and Audit Scrutiny Committee 26 September 2012		Agenda Item No. 4
Title	Annual Governance Report from External Auditor	
For further information about this report please contact	Mike Snow Tel 01926 456800 mike.snow@warwickdc.gov.uk Marcus Miskinis Tel 01926 456804 marcus.miskinis@warwickdc.gov.uk	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny 10 July 2012	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		
Head of Service	18 Sept 2012	Mike Snow
CMT		
Section 151 Officer	18 Sept 2012	Finance Report
Monitoring Officer		
Finance	18 Sept 2012	Finance Report
Portfolio Holder(s)	18 Sept 2012	Cllr Mobbs

Consultation & Community Engagement	
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. SUMMARY

- 1.1 The Council's external auditors have now issued their Annual Governance Report in respect of 2011/12, which is attached. This follows the completion of their audit of the 2011/12 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 27 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 2011/12 Annual Governance Report (Appendix A).
- 2.2 Finance and Audit Scrutiny Committee note the decision not to adjust the financial statements in respect of misstated capital expenditure as set out in Appendix 2 of the Governance Report.
- 2.3 Approve the letter of representation (Appendix B), 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, as the Council's audit committee, is 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 2011/12 audit. This is included as Appendix A. This report identifies the key issues that members should consider before the auditors issue their opinion, conclusion and certificate.
- 3.2 Some changes were proposed to the original Statement of Accounts prepared in June. All changes have been included within the Statement of Accounts due to be approved by Council on 27 September with the exception of an error in respect of capital expenditure on disabled adaptations to council houses. This was discovered late in the audit process and would require a large number of changes to be made. The item is not considered to be material and, consequently, it has been agreed not to make a correction.
- 3.3 The Council also needs to provide a Letter of Representation to the auditors before they will issue their opinion.

4 POLICY FRAMEWORK

- 4.1 **Policy Framework** – By considering and scrutinising the report members are acting in accordance with the priority of managing services openly, effectively and efficiently.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a review of the past year's performance.

5 BUDGETARY FRAMEWORK

- 5.1 The Annual Governance Report is a review of the financial performance of the year 2011/12 and has no direct impact on budgets.

6 ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 No alternatives have been considered.

7. BACKGROUND

- 7.1 The Statement of Accounts were duly prepared by the required date of 30 June 2012, and signed by the Responsible Financial 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 2011/12 Accounts. Whilst there are some changes proposed to the unaudited 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 changes proposed to the accounts are detailed on page 5 of the report. The net effect of the uncorrected changes is shown in Appendix 2 of the Governance Report.
- 7.4 As part of the audit process it was found that capital expenditure, in respect of disabled adaptations to council housing stock, amounting to £236,000 had incorrectly been included in the accounts as accruals. On investigation, it was found that this work had not been started by the year end and, consequently, should not have been accrued for. Due to the limited amount of time and staff availability between the time the error was identified and the completion of the audit, plus the amount of adjustments required to correct this matter, it was agreed with the External Auditors not to make the adjustments as the amount was not considered material. This is an isolated occurrence and procedures are being tightened to prevent further incidents in the future.
- 7.5 Overall the audit has gone well, with the auditors pleased with the supporting working papers and responses from officers.
- 7.6 The Governance Report also includes details of the Value For Money Conclusion for 2011/12. The report states that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources.