



Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 29th September 2008

Subject: EXTERNAL AUDIT AND PUBLICATION OF THE ACCOUNTS 2007/08

Electoral Wards Affected:

Specific Implications For:

Ethnic minorities

Women

Disabled people

Narrowing the Gap

1.0 Executive Summary

- 1.1 The Accounts and Audit Regulations 2006 require the annual audited accounts to be published by the 30th September.

Members are asked to receive the report of the external auditors and note any agreed amendments to the accounts. The Chair is also asked to sign the letter of management representation on behalf of the Corporate Governance and Audit Committee.

2.0 Purpose Of This Report

- 2.1. Under this Committees terms of reference, members are required to approve the Council's Statement of Accounts and consider any material amendment recommended by the auditors. The Committee approved the Council's 2007/08 Statement of Accounts on the 29th June 2008 subject to external audit. The Council's external auditors have now reported on the 2007/08 accounts and their report is attached. The report informs members as to amendments to the approved accounts which have been agreed with the Council's external auditors.

3.0 Background Information

- 3.1 The Accounts and Audit Regulations 2006 require that the Council's statutory finance officer, the Director of Resources, report any material amendments to the accounts to the Committee or sub committee of the Council which originally approved them.

4.0 Main Issues

4.1 Audit Differences.

4.1.1 On conclusion of the audit, KPMG found only one technical issue which required correction (see 4.1.2 below) and a small number of minor presentational issues. All audit points raised have been adjusted for in the accounts currently awaiting publication.

4.1.2 The technical adjustment identified above was in respect of the treatment of premiums and discounts held on the Balance Sheet from previous debt rescheduling. The ambiguous nature of the wording in the Statement of Recommended Practice led to difference in the treatment of these transactions across Authorities. Some Authorities, including Leeds, transferred such transactions through the Income and Expenditure account and others through the Statement of Movement on General Fund Balances (SMGFB). In both case the entry is reversed through the SMGFB and has no impact on either the Balance Sheet or General Fund Reserves. In order to ensure consistency across Authorities, KPMG requested guidance from the Audit Commission as to their preferred treatment. The resulting national decision has required the Council to reverse £71.0m out of the Income and Expenditure Account and charge the transactions through the SMGFB. Although the Council maintains that our original accounting treatment was more appropriate to UK accounting standards we have accepted that a consistent and standard approach from all Authorities is preferable. Consequently the accounts have been amended accordingly.

4.2 Audit notification of significant judgments and estimates used in the accounts

4.2.1 In order to ensure that the Council's accounts are close down in line with statutory deadlines, officers need to make a number of estimates based on the latest information available. The auditor's report highlights some of the more significant estimates in order to make members aware of any changes, or potential changes, in the estimates used.

4.3 Audit recommendations.

4.3.1 The audit report identifies two issues within the accounts which KPMG have recommended specific action or improvements for 2008/09. Firstly, the review of collection rates on specific bad debt provisions in light of the current economic climate and secondly, the monitoring of school deficits. For both issues the audit report includes a management response and timescales for implementing any recommendations. The report also informs members on the progress in improving the frequency of school bank account reconciliations, an issue raised during the 2006/07 audit.

4.4 Management Representation letter

4.4.1 The auditors are required by the Audit Commission's Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. Attached as Appendix 1 to this report is a management representation letter designed to give audit such assurances in respect of the 2007/08 accounts. After consultation with appropriate officers, the Director of Resources has signed to

confirm that officers are not aware of any compliance issues on the representation matters raised in the letter. The Committee is asked to consider whether members are aware of any issues they want to bring to the auditors attention in respect of the matters addressed in the letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

5.0 Implications For Council Policy And Governance

- 5.1 The Statement of Accounts and related audit reports are published on the internet as well as being available on Compact Disc and in hard copy format. In addition a less technical summarised set of accounts is also available on the internet and the autumn edition of the Council newspaper contained a supplement on the highlights of the 2008 accounts. All these formats encourage stakeholder comments and views.
- 5.2 As required by the Accounts and Audit Regulations 2006, the accounts were made available for public inspection for twenty working days. Under these stakeholder rights, no objections or issues were raised that had a material impact on the accounts.

6.0 Legal And Resource Implications

- 6.1 The Accounts and Audit Regulations 2006 require the audited Statement of Accounts to be published before the 30th September. This is a factual report of the Director of Resources on the financial accounts of the Council for 2007/08. There are no additional legal or financial implications.

7.0 Recommendations

- 7.1 Members are asked to receive the report of the Council's external auditors on the 2007/08 accounts and to note the amendment made to the Accounts.
- 7.2 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.