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## Report of the Director of Resources

### Corporate Governance and Audit Committee

Date: 29th September 2010

Subject: Audited Statement of Accounts and the Value for Money Assessment 2009/10

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**Electoral Wards Affected:**

**Specific Implications For:**

Ethnic minorities

Women

Disabled people

Narrowing the Gap

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## 1.0 Executive Summary

1.1 The Accounts and Audit Regulations 2003 (as amended) require the annual audited accounts to be published by the 30<sup>th</sup> September.

Members are asked to receive the attached report of the external auditors in respect of the 2009/10 financial statements. The audit report identifies:

- The audit opinion;
- Amendments made to the accounts;
- A conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources, and
- A review of the Annual Governance Statement.

Members are asked to note the amendments to the accounts and approve the final audited accounts for publication. 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. This Committee approved the Council's 2009/10 Statement of Accounts on the 30<sup>th</sup> June 2010 subject to external audit. Under this Committees terms of reference, members are now required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

### **3.0 Background Information**

3.1 The Accounts and Audit Regulations 2003 (as amended) 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 Key External Audit Findings**

##### 4.1.1 Audit Opinion

KPMG have determined that the 2009/10 accounts give a true and fair view of the Council's financial position and they are therefore proposing to issue an unqualified audit opinion.

##### 4.1.2 Audit Differences

On conclusion of the audit, KPMG identified only two significant audit difference which required amendment to the accounts. The first was in respect of a number of asset valuations which had not been reflected in the asset register. This amendment increases the value of the Council's assets by £1.9m, with a corresponding increase in the Revaluation Reserve. The second amendment relates to the disclosure of a PFI grant (£2.4m) which had been classified as income to the service but should, under accounting practice, have been classified as a general grant. Neither of these amendments impact on the Council's bottom line and both have now been amended in the final accounts.

In addition, whilst undertaking our own quality assurance review of the working papers for external audit, two errors were identified, neither of which impacted on the Council's bottom line. The required amendments to the Income & Expenditure account have now been actioned.

Both the adjustments required by the auditors and those identified by Council Officers are summarised in Appendix D of the attached audit report.

##### 4.1.3 Audit Risks

In their Financial Statements Audit Plan, as reported to this Committee on the 30<sup>th</sup> June 2010, KPMG identified five main areas of risk in compiling the financial statements for 2009/10. Of these five areas of risk, KPMG's audit report recognises that four have been fully addressed. In respect of the need to undertake a quality assurance review of Fixed Asset Valuations, officers did undertake the review but a number of relatively small errors still occurred in respect of the asset register (see para 4.1.2 above). KPMG have therefore made further recommendation for reviewing the Council's Asset Register in 2010/11 (see para 4.1.4 below).

##### 4.1.4 Audit recommendations

The audit report identifies two issue which KPMG have identified as needing specific action when compiling the 2010/11 accounts:

- A review of all items in the Asset Register which have not been revalued recently in order to ensure that all recorded assets are still owned by the Council.

- An improvement in the process for ensuring that all valuations are correctly recorded in the Asset Register.

Officers have identified appropriate actions to address these recommendations and agreed to a timeframe for their implementation. There are no outstanding recommendations from previous years which require further Council action.

#### 4.1.5 Use of Resources

The report on the KPMG Interim Audit, presented to this Committee on the 30<sup>th</sup> June 2010, stated that the Government had abolished the Comprehensive Area Assessment and consequently removed the requirement for our external auditors to score the Council on its Use of Resources. However, KPMG are still required to report to those charged with governance, any governance issues identified when discharging their statutory audit responsibilities. They have therefore still included in their report an opinion on the Council's arrangements to secure value for money in its use of resources.

For 2009/10, KPMG have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### 4.1.6 Review of the Annual Governance Statement

KPMG have confirmed that, in their opinion, the statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

### 4.2 Post Balance Sheet Events

- 4.2.1 Up until receipt of the audit certificate, any significant post balance sheet event which arose due to events happening before the 31<sup>st</sup> March 2010, should be adjusted in the accounts. A review of the Council's accounts since they were approved by this Committee, has identified no such events.

### 4.3 Management Representation letter

- 4.3.1 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 the management representation letter designed to give audit such assurances in respect of the 2009/10 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 in hard copy format. In addition a less technical

summarised set of accounts is also available on the internet. All these formats encourage stakeholder comments and views.

- 5.2 As required by the Accounts and Audit Regulations 2003 (as amended), the accounts were made available for public inspection for twenty working days, commencing the 5<sup>th</sup> July. There were no objections raised on the 2009/10 accounts during this period.

## **6.0 Legal And Resource Implications**

- 6.1 The Accounts and Audit Regulations 2003 (as amended) require the audited Statement of Accounts to be published before the 30<sup>th</sup> September. This is a factual report of the Director of Resources on the financial accounts of the Council for 2009/10. 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 2009/10 accounts and to note the amendment made to the Accounts.
- 7.2 Members are asked to approve the final audited 2009/10 Statement of Accounts and the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- 7.3 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.

### Background Documents

2009/10 Statement of Accounts (separately distributed to members at the Corporate Governance and Audit Committee on the 23<sup>rd</sup> June 2010).

KPMG ISA 260 Report 2008/09 and 2009/10

KPMG Interim Report 2009/10

The Code of Practice on Local Authority Accounting in the United Kingdom 2009