

AUDIT COMMITTEE	AGENDA ITEM No. 3
28 SEPTEMBER 2009	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director of Strategic Resources Steven Pilsworth, Head of Strategic Finance	Contact Officer(s):

EXTERNAL AUDIT 2008/09 REPORT TO THOSE CHARGED WITH GOVERNANCE 'ISA260'

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director of Strategic Resources	Deadline date : 30 th September 2009
<p>The Audit Committee is asked to:-</p> <ol style="list-style-type: none"> 1. Receive and approve the "2008/09 Report to those charged with governance" from PricewaterhouseCoopers, the Council's External Auditors. 2. To approve the Chief Finance Officer's recommendation in paragraph 4.4 that the unadjusted item in the report is adjusted in 2009/10. 3. To make any necessary recommendations in light of the report. 	

1. ORIGIN OF REPORT

- 1.1. This report is submitted to Audit Committee following completion of the External Audit on the Statement of Accounts 2008/09 by PricewaterhouseCoopers (PwC). This report is required to be considered by the Audit Committee on behalf of the Council by 30th September 2009.
- 1.2. This report follows on from the consideration and approval of the Council's Statement of Accounts by this Committee on 29th June 2009.
- 1.3. This report is submitted by the Council's Section 151 Officer, the Executive Director of Strategic Resources, as part of his statutory duties.

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is for the Audit Committee to:

- Receive and note the "2008/09 Report to those charged with governance" from PwC on behalf of the Council.
- To make any necessary recommendations in light of the report

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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There is a statutory requirement that the PwC report is presented to members by the 30 September 2009 and that the Statement of Accounts are audited and approved by that date.

4. 2008/09 REPORT TO THOSE CHARGED WITH GOVERNANCE

4.1. The External auditors have a statutory requirement to report to members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA(UK&I) 260 – "Communication of audit matters with those charged with governance". The report is known as the ISA 260.

4.2. The report for 2008/09 from PricewaterhouseCoopers, our External Auditors is attached at Appendix 1.

4.3. There are a number of sections within the report as follows:

a) Executive summary – Describes the purpose of the report and key findings.

b) Financial Statements

Accounts – States that the audit is complete.

Accounting Issues – This section details four issues:

- Impairment of investment in Icelandic banks
- NNDR Provision
- Accounting for PFI Schemes
- Assets with a negative net book value

Unadjusted Differences – PwC have identified two misstatements in the Accounts:

Assets with a negative net book value – a number of assets were over depreciated, leaving them with a negative net book value. It is recommended that this is adjusted in the 2009/10 accounts.

NNDR bad debt provision – the actual balance of the bad debt provision is greater than the calculation determining what the provision should be. As this is a prudent position for the Council it is recommended that this is adjusted in the 2009/10 accounts.

c) Systems of Internal Control

Five weaknesses are reported.

d) Accounting Practices

This section provides PwC's view on various qualitative aspects of the Council's accounting policies and financial reporting. PwC note that the Council is considering the impact of International Financial Reporting Standards (IFRS), with the Audit Committee involvement and an impact assessment having been completed.

e) Other Matters

This section updates members on the relationship with Internal Audit and on fraudulent activity during the financial year.

f) Value for Money in the Use of Resources

Updates on Use of Resources work and the change in the focus of the assessment from processes to outcomes under the new Comprehensive Area Assessment.

5. MANAGEMENT REPRESENTATION LETTER

The Executive Director of Strategic Resources, as Chief Finance Officer, is required to make representations on behalf of the Council in a number of areas in relation to the preparation of the Statement of Accounts. The letter is attached at Appendix 2 for review by Audit Committee.

6. CONSULTATION

The draft PwC report was discussed with the Director of Strategic Resources at the final audit clearance meeting on 11th September 2009.

7. ANTICIPATED OUTCOMES

- 7.1. That the Audit Committee receive this report and in doing so enable the completion of the External Audit on the Statement of Accounts 2008/09 within the statutory timescale.
- 7.2. That the Audit committee have the opportunity to question the External Auditor and to make observations on the Auditor's report

8. REASONS FOR RECOMMENDATIONS

The Council, via the Audit Committee, is required by statute to receive and consider the External Auditors report.

9. ALTERNATIVE OPTIONS CONSIDERED

There have been no alternative options considered in the preparation of this report and because the Committee is requested to make observations on the PwC report any alternative options will be considered at the meeting.

10. IMPLICATIONS

The Council is required to consider the External Auditors Report to those charged with governance as part of the Audit process. If the report is not considered, and the Audit not completed within the statutory timescale, then this will have an adverse impact on the Use of Resources score for the Council.

11. BACKGROUND DOCUMENTS

(Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

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