

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 5</b>
<b>26 SEPTEMBER 2011</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Executive Director of Strategic Resources Steven Pilsworth, Head of Corporate Services	☎ 452398 ☎ 384564

**2010/11 REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM :</b> John Harrison, Executive Director Strategic Resources	<b>Deadline date :</b> 26 September 2011
The Audit Committee is asked to:-	
<ol style="list-style-type: none"> <li>1. Receive and approve the "Report to those charged with governance (ISA260) 2010/11 Audit" from PricewaterhouseCoopers (PwC), the Council's external auditors.</li> <li>2. To make any necessary recommendations in light of the report</li> <li>3. Receive and approve the audited Statement of Accounts 2010/11</li> </ol>	

**1. ORIGIN OF REPORT**

- 1.1. This report is submitted to Audit Committee following completion of the External Audit on the Statement of Accounts 2010/11 by PricewaterhouseCoopers (PwC). This report is required to be considered by the Audit Committee on behalf of the Council by 30<sup>th</sup> September 2011.
- 1.2. This report follows on from the consideration of the Council's Statement of Accounts by this Committee on 27 June 2011.
- 1.3. This report is submitted by the Council's Section 151 Officer, the Executive Director Strategic Resources, as part of his statutory duties.

**2. PURPOSE AND REASON FOR REPORT**

- 2.1 The purpose of this report is for the Audit Committee to:
  - Receive and note the "Report to those charged with governance (ISA260) 2010/11 Audit" from PwC on behalf of the Council.
  - To make any necessary recommendations in light of the report
  - To receive and approve the audited Statement of Accounts.

**3. TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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#### **4. 2010/11 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 2010/11 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 any significant matters. This summary also notes that:  
*"Despite the significant additional challenges brought by the conversion to IFRS, the Authority has again delivered excellent working papers and worked with us to enable us to deliver an efficient audit."*
  - b) Audit approach** – Table demonstrates areas of risk and associated audit findings. For all areas of risk tested by PwC there are no significant issues to bring to the attention of the Audit Committee.
  - c) Significant audit and accounting matters** - there are no significant issues or areas of concern to bring to the attention of the Audit Committee
  - d) Fees update** – a saving of £14k has been achieved against the proposed 2010/11 fee
  - e) Appendices** - includes a list of audit reports issued during the year, and a copy of the letter of representation.
- 4.4. The success of the Council's 2010/11 closure of accounts is demonstrated by the brevity of the External Audit report, which is particularly noteworthy given the significant amount of change and work required for successful adoption of the International Financial Reporting Standards (IFRS).

#### **5. MANAGEMENT REPRESENTATION LETTER**

- 5.1. The Executive Director 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. STATEMENT OF ACCOUNTS 2010/11**

- 6.1. The production of a timely Statement of Accounts, which is free from material error, is a key test of the robustness of financial processes and underpins the financial standing of an organisation. The Council has achieved this through the presentation of the Statement of Accounts in both June and September to Audit Committee, and also through the completion of a successful external audit process.
- 6.2. As noted in the PwC report, the Council has established a good track record of preparing quality draft accounts and electronic working papers and this good practice has continued for the 2010/11 accounts. This has subsequently enabled the audit process to be completed efficiently with the number of additional auditor queries kept to a minimum.
- 6.3. The draft Statement of Accounts was considered by Audit Committee on 27 June 2011 and has subsequently been the subject of external audit by PwC.
- 6.4. The Audit culminated in a clearance meeting on 1 September 2011, which included PwC's Engagement Manager and the Council's Executive Director Strategic Resources. The meeting is the opportunity for PwC to outline their key findings and for the Section 151 Officer to challenge those findings where necessary.

- 6.5. Following the external audit four small technical amendments have been made to the draft Statement of Accounts that were presented for review in June. These adjustments were related to capital asset values, and together had a value of £891k which is immaterial when compared to the asset base of £507m (0.2%). These adjustments do not affect the overall 'bottom-line' position of the Council. This outcome is a credit to all the staff involved in the production of the Statement of Accounts, and thanks are extended to all staff who contributed to the closure process, either directly or indirectly.
- 6.6. The audited Statement of Accounts for 2010/11 is attached at Appendix 3 for formal approval by the Audit Committee.

## **7. CONSULTATION**

- 7.1 The draft PwC report was discussed with the Executive Director Strategic Resources at the final audit clearance meeting on 1 September 2011.

## **8. ANTICIPATED OUTCOMES**

- 8.1 As set out in the report.

## **9. REASONS FOR RECOMMENDATIONS**

- 9.1 Para 2.2.19 of the Constitution requires the Audit Committee to "review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council."

## **10. ALTERNATIVE OPTIONS CONSIDERED**

- 10.1 The Statement of Accounts has been prepared in accordance with the Code and hence there are no alternative formats.

## **11. IMPLICATIONS**

- 11.1 There are no legal or financial implications of this report.

## **12. BACKGROUND DOCUMENTS**

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

Council Constitution

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