

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

19TH SEPTEMBER 2011

REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES

Report prepared by Paul Holland
Senior Accountant (Client)

1. AUDIT COMMISSION'S ANNUAL GOVERNANCE REPORT
2010/11

1.1 Issue for Decision

1.1.1 This report updates Members on the audit of the Statement of Accounts for 2010/11 including the submission of the Audit Commission's Annual Governance Statement. This fulfils the requirements of the Accounts & Audit Regulations 2011.

1.2 Recommendation of Head of Finance & Customer Services

1.2.1 That Members approve the Annual Governance Report from the District Auditor, as set out in draft form at **Appendix A**. Members are specifically asked to confirm the following:

- To take note of the adjustments to the Statement of Accounts;
- to approve the Letter of Representation;
- to agree a response to the proposed action plan.

1.2.2 That Members approve the Statement of Accounts as set out at **Appendix B**.

1.3 Reasons for Recommendation

1.3.1 Under the amended Accounts & Audit Regulations 2011 there is no longer a requirement for the Statement of Accounts to be formally approved by the Audit Committee prior to their submission for external audit. Instead the Statement has to be signed by the Director of Regeneration & Communities by 30th June, and is then subject to external audit. The audited accounts are then required to

be approved by the Audit Committee by 30th September.

- 1.3.2 The un-audited Statement was presented to Members on 18th July 2011. There was no requirement for it be submitted or formally approved at that stage, but it was considered useful for Members to see the Statement at an earlier stage than the Accounts & Audit Regulations require, particularly as this is the first year the Accounts have been required to comply with the requirements of International Financial Reporting Standards (IFRS).
- 1.3.3 Authorities are also required to advertise arrangements for the public inspection of the Accounts and the date for the commencement of the Audit. The public are also to be informed when the Audit of Accounts is concluded and to have access to copies of the Accounts and any Auditor's certificate, opinion or report relating to them.
- 1.3.4 The External Auditor is obliged to report to those charged with governance i.e. the Audit Committee with an Annual Governance Report which will allow the Committee to agree the Accounts, with the benefit of comments from the External Auditor. It will also allow the External Auditor to formally give his opinion on the Accounts with the benefit of any comments from the Committee.
- 1.3.5 The process now involves:-
 - a) The submission to the Audit Committee of the Annual Governance Report;
 - b) Taking into account any comments by the Audit Committee, the issue by the External Auditor of his audit opinion.

All of the above issues must be addressed before 30th September 2011.

1.4 Annual Governance Report

- 1.4.1 The draft Report is attached at **Appendix A**. The District Auditor intends to issue an unqualified opinion on the 2010/11 Statement of Accounts. The Auditor was satisfied that the Council has dealt successfully with the requirements of introducing IFRS, and that the working papers produced for the audit were of a good quality. He has also concluded that the key audit risks identified are being managed properly, and there were positive comments in respect of financial resilience and securing economy, efficiency and effectiveness. The report does not identify any issues in respect of the system of internal control and the quality of the financial statements.

- 1.4.2 However, the audit did also identify a number of significant errors in the un-audited Statement of Accounts. These relate mainly to capital accounting entries, the contingent assets note and the disclosure of a material pensions figure. These have no impact on the general fund balance or any other financial resources available to the Council. The amendments made are summarised in Appendix 2 of the draft Annual Governance Report.
- 1.4.3 As a result the District Auditor has made two specific recommendations shown in Appendix 5 of the draft Report to address the factors he has identified as being contributory to the identified errors. The recommendations have been accepted by officers and will be acted upon as a priority to avoid a repeat of such errors in the future.
- 1.4.4 The audited Statement of Accounts is attached at **Appendix B**. These incorporate the amendments referred to at 1.4.2.
- 1.4.5 Appendix 3 to the draft Report is the draft Letter of Representation. The Committee is required to approve this Letter before the Auditor will issue his opinion and value for money conclusion.
- 1.5 Alternative Action and why not Recommended
- 1.5.1 The requirement to approve the Annual Governance Statement is a statutory requirement and therefore no alternative action is recommended.
- 1.6 Impact on Corporate Objectives
- 1.6.1 None
- 1.7 Risk Management
- 1.7.1 The process of External Audit is fundamental to the effective management of risks associated with financial management issues.

1.8 Other Implications

1.8.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management

X

1.8.2 The Annual Governance Statement gives an opinion on the Statement of Accounts which gives a sound historic base upon which current and future financial decisions may be taken.

1.8.3 Background Documents

Statement of Accounts Working Papers held in Accountancy section.
Accounts & Audit Regulations 2011

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

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Wards/Parishes affected:

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