

Report to: Audit Committee
Date of meeting: 22nd September 2008
Report of: Interim Finance Manager
Title: Statement of Accounts - 2007/08. External auditor's Annual report to those charged with governance

REASON FOR LATENESS

This report has been submitted late due to the pressure in achieving the tight timetable for the closure and audit of the accounts. This has meant that the auditor's report could not be published in line with the Committee agenda deadlines. As the Council is required to have the auditor's report approved by the end of September 2008 this report needs to be considered by this Committee.

1.0 SUMMARY

- 1.1 To receive the external auditor's Annual report to those charged with governance for the financial year 2007/08.

2.0 RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Considers the auditor's report and agrees the Action Plan recommended by the external auditor in the Annual report to those charged with governance (ISA 260 report), and the management response.
- 2.2 Formally adopts the accounting policies as set out in the Statement of Accounts.
- 2.3 Authorises the signature of the audited Accounts by the Chair of the Audit Committee, and the Letter of Representation by the Managing Director and Director of Finance.

Contact Officer:

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Report approved by: Janice Maule, Director of Finance

3.0 **BACKGROUND**

3.1 Local Authorities are required, under the Local Government Finance Act 1998 and the Accounts and Audit Regulations 2006, to prepare a Statement of Accounts for the year ended 31 March by 30 June each year, and for this to be audited and formally presented by 30 September. The amended Accounts are attached at Appendix 1, and the final audited version including the audit opinion will be published shortly.

4.0 **ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE**

4.1 The Audit Commission's Code of Practice requires that external auditors prepare a summary of work carried out during the audit of Accounts, the conclusions reached and any recommendations made, and that this is formally presented to those charged with governance at the time the financial statements are being considered. The report must comply with ISA 260 (International Standards on Auditing (United Kingdom & Ireland) – 260 'Communication of Audit Matters to Those Charged With Governance').

4.2 The attached report prepared this year by Grant Thornton, the Council's recently appointed external auditors, includes the following –

Opinion on the Accounts

The auditor comments that –

- The Council adopted appropriate accounting policies in accordance with 2007 SoRP, with one area of concern in respect of capitalisation of staff costs;
- No significant risks and exposures that should be reflected in the accounts were identified during the audit;
- No significant adjustments to the accounts were identified;
- The level of proposed adjustments was minimal, resulting from strong processes within the Council to prepare the accounts;
- There are no unadjusted errors to report; and no adjustments were identified that changed the Council's Income and Expenditure Account net deficit for the year or the Balance Sheet's net worth at the year end; and
- The overall quality of working papers was good.

The auditor expects to issue an unqualified opinion on the Council's 2007/08 Accounts before the 30 September deadline.

Value for Money conclusion

The auditor comments that work is substantially complete on this issue and expects to issue an unqualified VfM conclusion before the 30 September deadline.

Direction of travel statement

The auditor comments that, having reviewed the latest information available, the Council is assessed as having at least adequate arrangements in this area.

Data quality audit

The auditor is currently working on this area and will report more fully to the Audit Committee later this year.

Use of Resources

The auditor has undertaken work in respect of the assessment of the Council's Use of Resources and has commented that at least adequate arrangements are in place. The formal reporting of the results will be published in November 2008.

Audit Fee update

The 2007/08 planned fee is expected to be achieved, with no additional sums payable for financial statements, use of resources and data quality, and Whole of Government Accounts work. Grant claim costs will be reported once the work on the 2007/08 claims has been completed.

- 4.3 The adjustments have not affected the Council's financial position for the year, or its net worth at the year end.
- 4.4 The audit did identify a small number of misstatements within the notes to the Accounts, specifically in relation to the fixed asset note in 14(c) where a typographical error meant that depreciation on investment assets was included as a valuation adjustment, and, following the Government's recent determination that no further sums would be payable in respect of 2007/08, the contingent asset note on LABGI grant has been removed. Also, during the course of the audit a small number of presentational adjustments to the Accounts were identified and these have been amended and incorporated into the audited Statement of Accounts, including additional disclosures in respect of Financial Instruments following changes to the SoRP.
- 4.5 The ISA260 report includes a number of recommendations and these have been discussed with officers and the management response is shown in Appendix C of the auditor's report.
- 4.6 The Council also needs to complete a Letter of Representation prior to the opinion on the Accounts being issued. The draft Letter is attached at Appendix 2, and will be signed by the Director of Finance and the Managing Director.

5.0 **IMPLICATIONS**

- 5.1 Financial - There are no direct financial implications arising from this report.
- 5.2 Legal Issues – The Council is obliged to consider its audited accounts by 30th September 2008.

Background Papers

None

File Reference

None