

# External Audit Report on the Statement of Accounts 2007/08

## AUDIT COMMITTEE

Date: 23<sup>rd</sup> September 2008

Author: Director of Finance

Wards Affected: All

### Purpose

- To receive the audit report of the Audit Commission in relation to the annual audit of the Statement of Accounts for 2007/08.

### Recommendations

The Audit Committee is asked to:

- Note the content of this report and the External Auditors ISA260 report (to follow);
- Consider the updates provided by the Audit Commission at the Committee meeting;
- Acknowledge the Letter of Representation;
- Approve the audited Statement of Accounts for 2007/08 (to follow).

## 1. Reasons

- 1.1 The terms of reference for the Audit Committee include being the relevant body for the receipt of the Council's external audit reports. This report covers the ISA260 (International Standard on Auditing) report from the Council's external auditors, the Audit Commission.

## 2. Audit of the 2007/08 Statement of Accounts

- 2.1 The statutory deadline for authorities to have their audited accounts published is 30<sup>th</sup> September each year and Swindon is on target to achieve this deadline. However, the Council's external auditors changed in 2007 and this is the first year that the Audit Commission has audited the Authority's annual accounts. This, plus staffing difficulties early in the audit period, has caused the Audit Commission to be slightly behind schedule on their final accounts audit. Although the Auditors believe that they have already covered the highest risk areas, at the time of preparing this report, testing is still on-going and the ISA260 report that captures the Auditor's findings, to be attached at Appendix 1, is only in draft form. The Audit Commission will present any other findings resulting from their continuing work on the audit to the Committee on the 23<sup>rd</sup> September.
- 2.2 In order to present the Committee with the final version of the accounts (subject to formal certification) that addresses all audit findings it will be necessary to circulate the updated Statement of Accounts later than the normal agenda dispatch date. Officers recognise the difficulties this will cause Members in having to receive and digest a lengthy document at short notice and will therefore highlight any amendments to the draft Accounts approved by the

# External Audit Report on the Statement of Accounts 2007/08

## AUDIT COMMITTEE

Date: 23<sup>rd</sup> September 2008

---

Committee in June in order that the focus at the meeting can be on the audit changes.

- 2.3 Despite timing issues, the Audit has progressed well with good relationships being established between the Audit Team and Council officers. There have been regular updates to ensure that officers are kept abreast of the audit findings and adjustments have been made as necessary to the draft accounts as issues have come to light.
- 2.4 It is normal practice for auditors to identify minor changes to the annual accounts and the majority of these are in respect of the notes and disclosures rather than the figures themselves.
- 2.5 The draft ISA260 report highlights the key findings of the Audit Commission in their review of the Statement of Accounts. There have been no items affecting the General Fund balance, which remains at £6m or other reserves. Some changes have been identified that affect the surplus or deficit on the income and expenditure statements, although there has been no impact on the General Fund or Housing Revenue Account (HRA) balances. This is due to these changes reflecting items affecting the reconciliation of the Statement of Total Recognised Gains and Losses (the reconciliation of the movement in the net worth of the balance sheet). Other narrative updates have been discussed and agreed to improve clarity of the accounts.
- 2.6 One material change (in terms of value) has been identified but this has no direct impact on cash balances and has made no difference to the level of resources available to the Council. This was where the impairment figure within the HRA was over-stated by £9.8m due to a correcting journal being incorrectly entered. This has been corrected in the audited Accounts.

### 3. Letter of Representation

- 3.1 As part of the closing of the accounts process a general letter of representation from the Director of Finance, which is formally acknowledged by the Audit Committee, is to be sent to the external auditor. A draft copy of this letter is included within Appendix 1, and any revisions in light of the final audit findings will be updated at the meeting.
- 3.2 This letter refers to a range of areas that, though orally advised during the course of the audit, are made clear from any misunderstanding by this formal response. In considering the letter, Members are advised that the letter itself does not diminish the Director of Finance or the Audit Commission's responsibilities concerning the Council's accounts.

# External Audit Report on the Statement of Accounts 2007/08

AUDIT COMMITTEE

Date: 23<sup>rd</sup> September 2008

## 4. Statement of Accounts

- 4.1 As highlighted in paragraph 2.2, the 2007/08 Statement of Accounts, amended as necessary to reflect all findings up to the end of the audit, will be circulated to Members at the earliest possible opportunity.
- 4.2 As the parent company of Thamesdown Transport Ltd (TTL), the Council is required to include in its annual statements the position of the group (combined SBC and TTL accounts). These group accounts are subsequently included. The Thamesdown Transport Board has not met at the time of this report to formally approve the accounts. However, audited accounts have been received and the group accounts updated for changes. Any other changes, which arise as a result of the board approval process, will be updated at the Committee meeting.

## Alternative Options

- Not applicable.

### Risk Management

#### *Financial and Procurement Implications*

- The audited Statement of Accounts represents the final details of income and expenditure for the 2007/08 Financial Year and the Balance Sheet as at 31<sup>st</sup> March 2008.

#### *Legal / Human Rights Implications*

- There are no Legal/Human Rights issues.

#### *Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)*

- The opinion from the External Auditor on the Statement of Accounts impacts on the Use of Resources CPA score and, consequently, the CPA rating of the Council.

## Consultees

- None

## Background Papers and Appendices

- Appendix 1 – Draft ISA260 Report 2007/08 & Letter of Representation (to follow)
- Appendix 2 – Statement of Accounts 2007/08 (to follow)