

# External Audit Report on the Statement of Accounts 2008/09

AUDIT COMMITTEE

Date: 22<sup>nd</sup> September 2009

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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 2008/09.

## Recommendations

The Audit Committee is asked to:

- Note the content of this report and the External Auditor's 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 2008/09 (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 2008/09 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. Although the Auditors believe the highest risk areas have been covered, at the time of preparing this report, final testing is being reviewed and discussed 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 22<sup>nd</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 amendments to the draft Accounts approved by the Committee in June in order that the focus at the meeting can be on the audit changes.
- 2.3 The Audit has again progressed well with good relationships continuing to be seen between the Audit Team and Council officers. There have been regular

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Further information on the subject of this report can be obtained from *Darren Stevens* on *Direct Dial No.3323* or Email [dstevens@swindon.gov.uk](mailto:dstevens@swindon.gov.uk).

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updates to ensure that officers are kept abreast of the audit findings and greater corporate management of audit requirements than previously seen.

- 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. From 2008/09 the auditors will be required to report on more of these changes due to a change in the level of what constitutes "trivial" items. The length of the ISA260 report should not therefore be taken as an indication of an increased number of issues, but a more detailed reporting requirement.
- 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. 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 having compensating adjustments in the reconciliation statements (the Statement of Movement on General Fund Balance or Statement of Total Recognised Gains and Losses). Other narrative updates have been discussed and agreed to improve clarity of the accounts.
- 2.6 It has been the view of the auditors that the prior period adjustments undertaken in the draft accounts were not essentially necessary. Profit or loss on disposal adjustments have therefore been reversed, however, retirement benefits adjustments have been kept as it is felt this is more beneficial to the reader in what is a complex area.
- 2.7 One non-material but still high value change 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 is where historic capital receipts received before 2000/01 were set-aside in developer deposits, but which should rightly sit in useable capital receipts. This has been corrected in the audited Accounts as balance sheet movement.
- 2.8 Discussion over fixed asset valuations has been ongoing with the Borough's Property Services section. Any impact on the accounts from these discussions will be updated for and included in the ISA260 report.

### 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.

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- 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.

## 4. Statement of Accounts

- 4.1 As highlighted in paragraph 2.2, the 2008/09 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). The formally approved audited accounts for TTL have subsequently been included in the Group section of Swindon Borough Council statement of accounts.

## 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 2008/09 Financial Year and the Balance Sheet as at 31<sup>st</sup> March 2009.

#### *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 2008/09 & Letter of Representation (to follow)
- Appendix 2 – Statement of Accounts 2008/09 (to follow)