

# External Audit Report on the Statement of Accounts 2009/10

AUDIT COMMITTEE

Date: 21<sup>st</sup> September 2010

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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 2009/10.

## **Recommendations**

The Audit Committee is asked to:

- Note the content of this report and the External Auditor's ISA260 report (to follow);
- Consider updates provided by the Audit Commission at the Committee meeting;
- Acknowledge the Letter of Representation;
- Approve the audited Statement of Accounts for 2009/10 (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 2009/10 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. 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 significant findings resulting from their continuing work on the audit to the Committee on the 21<sup>st</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 therefore the main agreed changes to the draft accounts at the time of writing are highlighted below:
  - New PFI accounting treatment – a refinement of the indexation element of the accounting model which changes the amounts split to be shown as interest

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costs, which is not material in 2009/10 but which would have become material over the life of the contract

- Fixed Assets – a handful of items identified should have been removed from fixed asset additions where they were externally funded items on non-Council assets
- Service Analysis of the income and expenditure account – the split of some services has been updated to reflect correct comparison against prior year figures
- Cash flow statement – a reclassification of some entries to reflect full impact of the agency arrangement changes in accounting for the Collection Fund

2.3 It is normal practice for auditors to identify minor changes to the annual accounts. Many of these are to the accompanying notes and disclosures and are necessary for consistency. Where impacting on figures in the main statements, the changes do not affect the bottom line general fund balance, which remains at £6m, due to compensating adjustments to reconciliation statements. Other narrative updates have been discussed and agreed to improve clarity of the accounts and policies.

2.4 The Audit has again progressed well with good relationships continuing to be seen between the Audit Team and Council officers. There have been regular updates to ensure that officers are kept abreast of the audit findings and greater corporate management of audit requirements than previously seen.

### 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.

### 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 2009/10 Financial Year and the Balance Sheet as at 31<sup>st</sup> March

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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2010.

## *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 2009/10 & Letter of Representation (to follow)
- Appendix 2 – Statement of Accounts 2009/10 (to follow)