

Committee: Council

Date: 21 October 2008

Title: **Annual Governance Report**

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Item for
Information

1. Summary

- Performance Select Committee, at its reconvened meeting on 30 September approved the Council's revised audited Accounts for 2007/08.
- The Audit Commission have issued an unqualified opinion on the financial statements.
- Officers have not adjusted the Accounts for two non-material balances brought forward from previous years, which require further research during 2008/09.
- The Audit Commission have issued a qualified conclusion on corporate arrangements for Value for Money.
- Performance Select Committee also agreed to pass the Annual Governance Report to Council for information and the District Auditor's Annual Governance Report to Performance Select Committee is attached for member's information.

2. Recommendations

- It is recommended that Council notes the contents of the Annual Governance Report.
- Officers report to the next Finance and Administration Committee with an update on progress in analysing the balances in the financial statements for 2007/08 identified by the Audit Commission.
- Officers report back to the next Performance Select Committee with an implementation plan and update on progress to improving the Council's Use of Resources score.

3. Background Papers

- Statement of Accounts 2007/08
- Audit Commission, Annual Governance Report Audit 2007/08

4. Impact

Communication/Consultation	The approved Statement of Accounts for 2007/08 will be added to the Council's website in the near future. Copies will also be placed in local public buildings and available for all members prior to this meeting.
Community Safety	There are no specific Community Safety implications in this report.
Equalities	There are no specific Equalities implications in this report.
Finance	An unqualified opinion by the District Auditor on the financial statements confirms the Council's financial position at 31 st March 2008.
Human Rights	There are no specific Human Rights implications in this report.
Legal implications	Under the Accounts and Audit Regulations 2003, the Council, or the relevant committee is required to ensure the audit of the financial statements is concluded by 30 th September 2008.
Sustainability	There are no specific Sustainability implications in this report.
Ward-specific impacts	There are no specific Ward-specific implications in this report.
Workforce/Workplace	There are no specific Workforce-workplace implications in this report.

5. Situation

a) Statement of Accounts 2007/08

- On Page 8 of the attached Annual Governance Report the District Auditor has made 3 recommendations, which are:
 - Improve qualitative processes to include robust officer review to ensure the accounts are presented for audit are free from inconsistencies and casting errors.
 - Review all disclosures and notes to the accounts to ensure compliance with recommended practice and clarity to the reader.

- Strengthen controls over the authorisation of journals and consider senior officer review of journals over a specified amount.
- As members are aware the completion of the draft accounts was very much up to the 30th June deadline. Because our new Finance team has now had the experience of completing the closedown an appreciation of the workload involved will assist in improving the process in future years.
- All the above recommendations will be included in the planning process for the 2008/09 Accounts closedown.
- There are 2 brought forward balances which have not been adjusted in the financial statements, which are:
 - VAT account income of £144k (from 2002/03 or earlier) and
 - NNDR income of £231k (from 2005/06)
- The reason that the Council has not changed the Accounts for these items is that officers are uncertain as to the Council's liability. These sums have historically been carried forward as part of the year-end reconciliations and officers want to fully understand the impact on the accounts before making any amendments.
- Officers have already started work on analysing the VAT account and work will start shortly on identifying the NNDR balance. There has been an assumption that historical balances had been through several external audits and therefore the figures were correct. Given that these balances are now being challenged by the District Auditor, a review of any other balances will also be undertaken. Additional resources may become available at the end of October to ensure the reviews are completed prior to completion of the budget process. A progress report will be submitted to the Finance and Administration Committee on 13th November 2008.

b) Value for Money (Use of Resources).

- Pages 10 and 11 of the Annual Governance Report 2007/08 set out the criteria that the Audit Commission uses where the Council is assessed as not adequate.
- **Members should note that this assessment is for the financial year 2007/08.** It includes problems that arose during that financial year such as the 2007/08 Budget re-statement, errors in the original Medium Term Financial Strategy for 2007/08, late completion of the 2006/07 Accounts and lack of budget monitoring.
- The Audit Commission's has identified a number of weaknesses and these are also set out in the "Findings" in Table 3 on pages 10 and 11.
- On page 11 the Audit Commission has set out a further recommendation that the Council ensures that weaknesses in

arrangements to secure economy, efficiency and effectiveness in its use of resources are addressed.

- Although some of the weaknesses have been addressed during the current financial year, there are still a number of issues the Council needs to resolve.
- As the Annual Governance Report was only received late on the 30th September officers have not yet had time to consider the report in detail or provide an improvement plan for addressing the weaknesses.
- It is proposed to submit an Improvement Plan and position statement to Performance Select Committee on 13th November 2008.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The Council does not implement the three recommendations on closedown set out in paragraph 5a) above.	1	2	All the recommendations will be included in the planning process for the 2008/09 Accounts closedown
No progress is made in identifying the Council's liability in respect of the 2 balances not adjusted in the Council's Accounts. These balances may have to be written off.	2	2	Work has already commenced on reconciling the VAT Account. Further resources may be available at the end of October to commence work on the NNDR Account.
The Council does not address the weaknesses identified by the Audit Commission in it Value for Money audit. A further adverse report may bring the Council into	2	3	Officers will draw up an Improvement Plan and report to Performance Select Committee on progress on a regular basis.

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“special measures”.			
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- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.