

Committee:	Performance Select Committee	Agenda Item
Date:	29 September 2009	4
Title:	Annual Governance Report 2008/09	
Author:	Stephen Joyce, Chief Finance Officer	Item for decision

Summary

- 1 Attached is the Annual Governance Report by the External Auditor, Paul King of the District Audit Service. The report summarises the outcomes of the 2008/09 audit. The auditors will attend the Committee to present the report and answer Members' questions.
- 2 The Chief Finance Officer has been consulted on the report and is content that it reflects a fair summary of the outcomes from the audit process. The Chief Finance Officer's advice to Members is that the content of the report and its appendices can be approved.

Recommendations

- 3 As specified by the District Auditor in his report (page 6), Members are recommended to:
 - a) consider the matters raised in the report before approving the financial statements (pages 7 to 10);
 - b) take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
 - c) agree to adjust the errors in the financial statements the auditor has identified which management has declined to amend or set out the reasons for not amending the errors (Appendix 3); (**see CFO's comments below**)
 - d) take note of the VFM Conclusion;
 - e) approve the letter of representation on behalf of the Council before the auditor issues his opinion and conclusion (Appendix 4); and
 - f) agree the response to the proposed action plan (Appendix 6).

Unadjusted misstatements

- 4 Not all of the matters arising from the audit have resulted in adjustments being made to the accounts. These are known as “unadjusted misstatements”.
- 5 The term “misstatement” in this context can be something of a misnomer because these are in practice minor queries which are unproven as errors and/or are agreed between the auditors and Chief Finance Officer on pragmatic and proportionate grounds not to pursue.
- 6 There is a requirement for unadjusted items to be formally reported to Members before the audit opinion is issued, so that there is evidence to show that Members are satisfied that the accounts can be published without making the adjustments.
- 7 Unadjusted items arise for two main reasons:
 - Immaterial misstatements where a judgement is made not to adjust the accounts on practicality grounds.
 - Slight differences of interpretation of accounting requirements between the Council and the auditor, but that the nature of the difference is not material to the user’s understanding of the accounts, or the Council’s financial position, and thus do not prevent the issue of an unqualified audit opinion.
- 8 The unadjusted items arising in this year’s audit are detailed in Appendix 3 of the auditor’s report. The Chief Finance Officer’s advice to members is that the accounts may be published without adjusting for these items for the reasons stated in paragraph 7 above.