

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>21 SEPTEMBER 2012</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL GOVERNANCE REPORT 2011/12</b>
<b>PORTFOLIO AREA:</b>	<b>CORPORATE SERVICES</b>

## **Wards Affected**

County-wide

## **Purpose**

To consider and note the external auditor's statutory Annual Governance Report for 2011/12 which sets out:

- a. Their opinion on the financial statements for 2011/12
- b. Their opinion on the council's arrangements for securing value for money.
- c. Their recommendations for further improvements in the council's governance arrangements arising from their audit work.

## **Recommendation(s)**

**THAT:**

- (a) The Audit & Governance Committee discuss and take note of the content of the Annual Governance Report (AGR) for 2011/12 attached to this report with the external auditor.**
- (b) The Audit & Governance Committee approves the Draft Letter of Representation (Appendix 2 of the AGR 2011/12 attached to this report refers) for signature by the Chair of the Committee and the Chief Officer; and**
- (c) The Audit & Governance Committee request that an action plan be brought forward to the next committee.**

## **Key Points Summary**

- The Audit Commission anticipates issuing an unqualified opinion on both the statement of accounts for 2011/12 and the council's arrangements for securing value for money by the statutory deadline of 30 September 2012.
- There are no important weaknesses in internal control.

- Proper arrangements are in place to secure value for money.

## **Alternative Options**

- 1 This is a report reflecting the statutory Annual Governance Report process and therefore no alternative options are outlined.

## **Reasons for Recommendations**

2. The Code of Audit Practice in Local Government Bodies requires the external auditor to make a report to those charged with governance that summarises the conclusions they have drawn from their audit work and their opinion on the financial statements and value for money. The Council's Constitution sets out the Audit & Governance Committee's responsibilities for matters of governance.

## **Key Considerations**

3. The financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. The annual governance statement is produced by the Council and records its stewardship and supplements the accounts. It gives a sense of how successfully it has coped with the challenges it faces. This statement draws together position statements and evidence on governance, risk management and control, to provide a more coherent and consistent reporting mechanism.
4. The committee is required to consider the external auditors findings before adopting the financial statement and its annual governance statement. The external auditor's Annual Governance Report (AGR) confirms that the external auditor plans to issue an audit report including an unqualified opinion on the financial statements.
5. Another key part of the attached document is the external auditor's requirement to indicate if the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the statutory 'value for money' conclusion. The external auditor intends to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
6. The auditor's report confirms that a high level of change was evident in the year. This included the introduction of the new business support arrangements via Hoople and the introduction of a new integrated financial ledger.
7. The auditor is required to obtain a signed letter of representation relating to areas where the auditor is reliant on management opinion for the accounting treatment for certain items in the accounts. The letter (Appendix 2 of the AGR) is signed by the Council's Chief Finance Officer to indicate the postholder has fulfilled their responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the 'Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice' which give a true and fair view of the financial position and financial performance of the Council.
8. The AGS includes a number of recommendations which we will need to consider carefully before developing an action plan with the Leadership Team and relevant

Cabinet Members that will need to be agreed at the next committee meeting and progress will be reported to subsequent meetings.

## **Financial Implications**

9 None arising directly from this report.

## **Legal Implications**

10 This report has no legal implications.

## **Risk Management**

11 The Audit & Governance Committee has responsibility for corporate governance and will monitor progress made by management in addressing the issues identified in the external auditor's Annual Governance Report for 2011/12. Risk is mitigated by delivering the action plan's recommendations.

## **Consultees**

12 None.

## **Appendices**

13 Annual Governance Report 2011/12 (attached as an appendix to this report).