

Item No. 9	Classification: Open	Date: 20/09/2007	Meeting Name: Audit Committee
Report title:		Draft Annual Governance Report 2006/7	
Ward(s) or groups affected:		All	
From:		Finance Director	

RECOMMENDATIONS

1. That the Audit Committee:
 - i. consider the matters raised in the Annual Governance Report for 2006/7 (Appendix A)
 - ii. consider the representation letter on behalf of the Council (Appendix 5 to the Annual Governance Report)
 - iii. note that there are no unadjusted misstatements in the accounts and that District Auditor expects to issue an unqualified audit opinion on 28 September 2007
 - iv. agree that any further matters that arise in concluding the audit work be raised with the Finance Director and Chair of the Audit Committee.

BACKGROUND INFORMATION

2. The District Auditor is required under the statutory Code of Audit Practice for Local Government bodies to issue a report to those charged with governance summarising the conclusions of the audit work. The Audit Committee is the Council's constitutional body for receiving this report.
3. The District Auditor is also required by professional auditing standards to report to the Audit Committee certain matters before he gives his opinion on the financial statements – there is a separate section of the report covering these matters. In addition to reporting on the financial statements, the District Auditor reports any circumstances where he suspects or detects fraud, and on whether in his view the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
4. The principal purposes of the report are:
 - To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Audit Committee;
 - To share information to assist both the auditor and the Audit Committee to fulfil their respective responsibilities;
 - To provide the Audit Committee with recommendations for improvement

arising from the audit process.

KEY ISSUES FOR CONSIDERATION

5. Subject to the completion of their work, the District Auditor has not identified any unadjusted misstatements to the accounts and expects to issue an unqualified audit opinion on the financial statements, including the pension fund, and an unqualified opinion on the use of resources on 28 September 2007. In addition, it is his view that the Statement of Internal Control has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings of the audit. As the audit work will not have been completed by the time of this meeting of the Audit Committee, it is recommended that should any matters arise that need reporting that they be raised with the Finance Director and the Chair of the Audit Committee.
6. The District Auditor is required to bring to the Committee's attention misstatements in the accounts that have already been corrected by management but which are considered relevant to the Committee's wider governance responsibilities. The most significant item is Waverley school which became an academy in September 2006 under a 125 lease at a peppercorn rent. No entries had been made in the accounts to reflect this asset transfer which required an adjustment of £23.8m to the Council's fixed assets. There is no effect on the Council's income and expenditure account. Management will review the effectiveness of asset controls in Children's Services to ensure that they are sufficiently robust.
7. The District Auditor has also made some suggestions to improve the disclosure of accounting policies in the accounts with regard to intangible assets and the valuation methods applied to different types of fixed assets. Management has welcomed these suggestions.

Community Impact Statement

8. This report and the accompanying Annual Governance Report from the Audit Commission are not considered to have a direct impact on local people and communities, although the positive comments on the Council's use of resources do offer significant assurance to this Committee that the Council is using its resources efficiently and effectively to meet its priorities and responsibilities.

Resource implications

9. There are no direct resource implications in this report although the positive comment on the Council's use of resources should be noted.

Consultation

10. The Annual Governance Report is a key document in assessing the Council's progress and plans for the future. The issues raised will be reflected in appropriate consultation, such as through the Council's Policy and Resources strategy. The report will be published on the Council's website in accordance with usual practice.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

11. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Use of Resources Judgement 2005/6	Corporate Planning & Performance Southwark Town Hall	Stephen Gaskell x57293
Annual Governance Report 2005/6	Corporate Planning & Performance Southwark Town Hall	Stephen Gaskell x57293
Annual Report 2006/7	Corporate Planning & Performance Southwark Town Hall	Stephen Gaskell x57293
Statement of Accounts 2005/6 and 2006/7	Financial Management Services Southwark Town Hall	Dennis Callaghan x54375

APPENDICES

No.	Title
Appendix A	Annual Governance Report 2006/7

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Simon Hughes, Assistant Finance Director	
Version	Final	
Dated	11/09/2007	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Borough Solicitor	No	No
Finance Director	Yes	Yes
List other officers here		
Executive Member	No	No
Date final report sent to Constitutional/Community Council/Scrutiny Team	12/09/2007	