

Item No:	Classification: Open	Date: 7 October 2003	Meeting Name: EXECUTIVE
Report title:		The District Auditors Interim Annual Audit Letter and SAS610 Report	
Wards or Groups affected:		All	
From:		Chief Finance Officer	

RECOMMENDATIONS

1. The Executive notes the Interim Annual Audit Letter and SAS610 report and refers the SAS610 report to Council Assembly for their information.

BACKGROUND

2. On 23rd July Council Assembly approved the Annual Statement of Accounts for 2002/03. The statutory audit of the accounts had already commenced a few weeks earlier. The Accounts were open for public inspection from 8th August to 5th September. The District Auditor (Derek Elliott) was present at Town Hall on 9th September to receive questions on the accounts from any local government elector. The accounts audit work was completed by mid September.

KEY ISSUES FOR CONSIDERATION

3. Two reports are presented for Member consideration. The Interim Annual Letter is a report Members have received annually in the past. The second report - *'Communication concerning financial statements to those charged with governance – SAS610'* deals with issues that arise during the audit of the accounts that do not warrant any qualification to the opinion issued by the District Auditor, but which the District Auditor wants to draw attention to those charged with governance. This is a new statutory report that all Council's will receive this year and it has to be reported to Council Assembly.

Interim Annual Audit Letter

4. A final Annual Audit Letter will be published at a later date, thought to be around Christmas, which will take account of the Audit Commission's comprehensive performance assessment update.
5. The Interim Annual Audit Letter contains a number of positive messages from the District Auditor.
6. The key positive messages for members to note are:
 - An unqualified opinion has been given on the accounts nearly two months earlier than the previous year – the District Auditor calls this a "credible achievement reflecting officers' commitment to make improvements";

- There has been a “step change” not just in terms of the speed of production but also in the quality of the accounts submitted for audit;
 - The District Auditor is noting “improvements in the quality of working papers” for grant claims;
 - The Council’s achievement of a balanced budget in 2002/03 is commended;
 - Recognition is given to the improvements made to financial reporting;
 - The budget setting process for 2004/05 is commended as increasing financial robustness;
7. Members also need to be aware of the following issues that are commented upon in the Letter:
- The importance of the Council maintaining its budget strategy to ensure that the £8m level of balances is maintained;
 - The budget strategy will have to recognise the need to increase contributions to the Pension Fund over the medium term;
 - The Council will receive in due course a report in the public interest concerning a planning complaint referred to the District Auditor by the Council;
 - The Council needs to ensure continuing rigorous control in order to minimise the opportunities for mis-management and mis-conduct.

SAS610 Report

8. There are only four matters that are drawn to Members attention.
- Weaknesses at schools relating to the reconciliation of school cash balances;
 - An incomplete reconciliation in Environment and Leisure concerning stocks and work in progress;
 - Acknowledgement that the Council identified suspected contract corruption in the Buildings DSO and is reviewing the action to take;
 - The Council has some dormant trust funds that need to be dealt with.

CONSULTATION

9. The 2002/03 accounts were open for public inspection from 8th August to 5th September.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
Statement of Accounts 2002/03	Financial Management Services	Dennis Callaghan, Head of Financial Accounting and Reporting (020 7525 4375)

APPENDIX A

Audit Trail

Lead Officer	Keith Brown , Chief Finance Officer	
Report Author	Alan Layton , Head of Corporate and Strategic Finance	
Version	Final	
Version Date	29/09/03	
Key Decision	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments Included
Borough Solicitor & Secretary	No	No
Executive Member	Yes	No
Date Final Report Sent to Constitutional Support Services	29/0903	