

EXTERNAL AUDITOR REPORT – ANNUAL AUDIT LETTER and FINAL REPORTS ON THE AUDIT OF THE ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2009

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SUMMARY

The Annual Audit Letter provides an overall summary of the key matters arising from the work Deloitte have carried out in respect of the year ending 31 March 2009, and the work undertaken to assess the arrangements to secure value for money in the Council's use of resources. The final ISA 260 governance reports on the audit of the council's accounts and the pension fund accounts confirm that the work outstanding when Deloitte reported to Audit Committee in September has now been completed.

RECOMMENDATIONS

The committee is asked to note the reports.

REASONS FOR OFFICER RECOMMENDATIONS

The Annual Audit letter sets out our external auditor's view of the Council's overall performance and is available for stakeholders and the community. The ISA 260 reports are the final documents in relation to the audit of the accounts for the year ending 31 March 2009.

INFORMATION

Annual Audit Letter

The letter is addressed to the Council as it is the Council's responsibility to ensure that proper arrangements are in place to secure economy, efficiency and effectiveness in its use of resources. Deloitte, as the council's external auditor, also check that accounting arrangements meet satisfactory standards for public accountability.

The letter fulfils two functions:

- a) to keep the Council informed of progress and of Deloitte's view of Council's financial performance,
- b) to provide information for stakeholders and members of the community.

The main messages from Deloitte are:

Audit Committee 16 December 2009
PART 1 – MEMBERS, PUBLIC & PRESS

- an unqualified opinion of the accounts was issued on 30 September 2009
- an unqualified value for money conclusion was issued on 30 September 2009
- the Council scored a 2 for the Use of Resources assessment.

Particular reference was made to the Council's financial performance, reporting that the Council had a successful year in managing its finances, particularly pertinent in the current challenging economic environment. Additionally, the quality of the working papers for the accounts was noted and recognition given to the significant improvements which had been made to the preparation of the accounts. It was also noted that the council responded positively to all recommendations made by Deloitte and have developed actions to address these issues on the 2009/10 audit.

Final Report on the Audit for the year ending 31 March 2009

The draft ISA 260 was presented to Audit Committee on 22 September 2009 which noted that there was further work to be performed on a number of areas. This work has now been completed and as a result there are several changes to the identified misstatements previously reported. The report sets these out in detail on pages 4 and 5 and these are summarised below:

- Asylum Grant timing – the amount has changed from that originally reported, again due to the difference in timing between the preparation of the accounts and the grant claim. This amount has now been posted.
- NNDR bad debt provision – Deloitte previously recommended an increase to the bad debt provision of £0.774 million, but this has now been recognised as having neutral impact on the council's I&E position.
- Asylum Seekers Grant Special Representations Bid – In the last report this bid for £2.2 million was outstanding and Deloitte agreed to mention under other issues rather than include as an error as the Council felt it inappropriate to increase the bad debt provision by this amount as these bids had been 100% funded in the past. However, on further consideration of technical accounting guidance, Deloitte have now identified this as an unadjusted error in the final report, as the guidance requires a greater level of certainty of payment should be present prior to the income being recognised. As a result they have proposed an adjustment to remove this income of £2.2 million from the 2008/9 accounts.

However, since the accounts were signed off, the UK Borders Agency has confirmed to the council that the Unaccompanied Asylum Seekers Grant Special Representation Bid will be paid in full so this comment is academic.

The Council agree with Deloitte's recommendation and will, if this situation arises in the 2009/10 final accounts, not recognise such income in the financial accounts until the 2010/11 year. However, the Council will also continue to lobby UKBA and central government for a grant claim regime that not only provides adequate funding for asylum but also offers more certainty on what grant income can legitimately be accrued for at the year end.

Final Report on the 2008/09 Audit of the Pension Fund

The draft ISA 260 was presented to Audit Committee on 22 September 2009. This final report confirms that the outstanding work has now been completed and that one classification error has been corrected.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

BACKGROUND PAPERS

Use of Resources Report
Statement of Accounts