

# AUDIT & RISK COMMITTEE

28<sup>th</sup> September 2010

## ANNUAL GOVERNANCE STATEMENT

Report of the Strategic Director for Resources

STRATEGIC AIM:	To be a well managed organisation
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### 1. PURPOSE OF THE REPORT

1.1 To present the 2009/10 Annual Governance Report prepared by the Audit Commission

### 2. RECOMMENDATIONS

2.1 That the Committee notes the contents of the Annual Governance Report

2.2 That the Committee approve the letter of representation contained at Appendix 1 of the Annual Governance Report

### 3. REASONS FOR THE RECOMMENDATIONS

3.1 The recommendations support this Council's strategic objective 'To be a well managed organisation'.

### 4. BACKGROUND

4.1 Each year the Audit Commission produces an Annual Governance Report in compliance with their code of practice covering two key areas:

- Financial statements and Annual Governance Statement
- Value for money

4.2 The Audit Commission will issue its opinion, conclusion and certificate after the Committee has considered the key issues identified in their report. The key issues highlighted and the Audit findings are:

Issue or risk	Finding
The council introduced a new suite of financial information systems in April 2009. Internal Audit's review of these systems identified significant concerns regarding the systems' implementation and operation of key control and reconciliation procedures.	We needed to carry out additional substantive transaction testing on all material systems and test the significant items in the year's bank and suspense account reconciliations. We did not identify any material errors in the draft financial statements in the course of this additional work.

The Large Scale Voluntary Transfer of the Council's houses to Spire Homes was a major event which impacted on the year's financial statements. The accounting adjustments were material and complex.	We engaged specialist advice from colleagues in our Technical Unit to inform our audit work. We identified a number of errors in the accounting entries and the draft financial statements are to be amended to show the correct entries.
The Big Build is in the construction phase and the Council needs to have effective arrangements for recording and valuing the expenditure and other transactions as the scheme progresses.	We reviewed the entries as part of our audit of the Assets under Construction balance and did not identify any material errors.
The Council's £1m Icelandic investment is still mostly outstanding and the Council needed to follow relevant valuation and accounting advice.	The Council has correctly applied the relevant advice.
SORP 2009 introduced changes to the Council Tax and NNDR accounting arrangements. The Council needed to apply this change of policy as a Prior Period Adjustment.	We did not identify any material errors. However, the draft statements are to be amended to include the additional disclosures required by the SORP.

## 5. **RISK MANAGEMENT**

<b>RISK</b>	<b>IMPACT</b>	<b>COMMENTS</b>
Time	Low	The report has to be considered by Committee by 30 <sup>th</sup> September
Viability	Low	Not relevant
Finance	Low	There are no financial implications from this report
Profile	Medium	The Annual Governance Report is a public document that may attract local and national interest
Equalities and Diversities	Low	There are no specific issues arising from this report

### **Background Papers**

None

### **Report Author**

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