

AUDIT COMMISSION REPORT ON THE FINANCIAL STATEMENTS
Report of the Acting Executive Director of Finance, IT & Trading

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendations – it is recommended that members:

- i Note the actions taken in response to the Audit Commission Report on the financial Statements for 2007- 08,
- ii Endorse the recommendations of the Working Group set up to review the issues relating to capital accounting.

Background

1. The Audit Commission reported its findings in relation to its work on the financial statements for 2007/08 to the Audit Committee on 25 September 2008. The concerns that were identified related to capital accounting procedures and non-compliance with the requirements of the Statement of Recommended Practice (the SORP). The Committee agreed to set up a Working Group to address the weaknesses that had been identified and to recommend actions that would prevent a re-occurrence.
2. The Working Group met on 22 October 2008. It recommended that:
 - a change to the valuation date from 1 April to 31 March in each future accounting period be considered in order to reduce the potential for material misstatement,
 - the terms of engagement with the valuer be reviewed and updated to ensure that the specific issues identified during the audit are not repeated,
 - the external auditor tests the procedures used by the valuer to minimise the risk of further issues being identified during the audit of the 2008/09 financial statements,
 - the action plan of the Audit Commission's report and present the outcome to the next Audit Committee, and that,
 - arrangements are put in place to test SORP compliance for the 2008/09 financial statements.
3. Work is progressing to implement these recommendations. Our external auditors have confirmed that a change in valuation date is permissible, revised terms of engagement have been prepared and discussed with the valuer and the action plan of the external auditors report has been completed and attached for information. The remaining actions will be completed as the close down programme for the 2008/09 accounts is prepared.

Conclusion

The Committee is asked to note the actions taken in response to the Audit Commission report on the financial statements for 2007/08 and endorse the recommendations of the Working Group set up to review the issues relating to capital accounting.

Mary Davis
Acting Executive Director of Finance, IT and Trading

Electoral Divisions: All
Local Government Act 1972

List of Background Papers
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<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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There are no equality issues associated with this report