

Agenda Item No: 4

Report To: **AUDIT COMMITTEE**

Date: **14 DECEMBER 2010**

Report Title: **Closure of the 2007/08-2009/10 audits**

Report Author: Andy Mack, District Auditor
Paul Naylor, Deputy Chief Executive – covering summary



Summary: The attached report from the District Auditor explains that he has fully considered representations made by a local elector on past years accounts. He feels that the audits for these years can now be closed. Within the District Auditor's report he asks for a letter of representation to be drafted in respect of the accounts for the last financial year (a draft template letter from the District Auditor is included at Appendix 1). There are two matters to report to the District Auditor since the financial statements were approved and these are included in the Deputy Chief Executive's formal letter of representation attached as the annex to this covering summary. These matters relate to recent decisions in connection with Ashford's Future, and related party transactions.

Key Decision: No

Affected Wards: None specifically

Recommendations: **The Audit Committee is asked to note the District Auditor's report and to endorse the Deputy Chief Executive's letter of representation in the annex to this covering summary.**

Policy Overview: Although mainly a procedural matter, it is pleasing to note that the District Auditor can now close the outstanding audits.

Financial Implications: None directly arise from this report

Other Material Implications: None

Background Papers: Financial statements relating to 2007/08, 2008/09 and 2009/10

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Deputy Chief Executive, Paul Naylor CPFA MBA

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Mr Andy Mack
Appointed Auditor
Audit Commission
16 South Park
Sevenoaks, Kent
TN13 1AN

Date: 15 December 2010

Dear Andy

Ashford Borough Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Ashford Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. You will see, however, there are two areas where I draw to your attention to events since Financial Statements were presented.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatement

No further uncorrected misstatements have been identified other than those referred to in our letter dated 27 September 2010.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error. There have been no:

ANNEX



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BOROUGH COUNCIL

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Tannery Lane
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Kent TN23 1PL
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- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

I need to draw to your attention recent decisions by the Council to seek a winding-down of the Ashford Future Company Ltd. The nominal wind-down date agreed by partners and the Company Board is 31 March 2011. A full report was submitted to the Council's Executive Committee on 9 December 2010 setting out the context and plans to develop new arrangements for the delivery of growth in Ashford. As disclosed in the Financial Statements the Borough Council is guarantor to the Pension Fund for the Company and is also initially responsible for meeting

redundancy payments in respect of the Company's staff. There is an understanding across the Founding Members that termination costs will be met by the partnership. As agreed by the Ashford Future Partnership Board the termination costs will, therefore, be met from accumulated interest on Growth Area Funds held by the Borough Council on behalf of the Partnership. This accumulated interest stands at approximately £635,000 and is sufficient to meet all costs without requiring extra financial support from partners.

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no other material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no other financial guarantees have been given to third parties.

Related party transactions

At the time of the Financial Statements being approved I disclosed that three declarations from Members of the Council remained outstanding. One declaration was subsequently received and there are no matters of relevance to the accounts to report to you from that declaration. Two other declarations remained outstanding, including one from a councillor who unfortunately passed away recently.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.


I confirm there are no disclosures required in relation to the previous Chief Executive (David Hill) or Head of Financial Services (Pauline Adams).

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Yours sincerely



Paul Naylor

Deputy Chief Executive

15 December 2010

Signed on behalf of Ashford Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 14 December 2010.

Closure of the 2007/08 - 2009/10 audits

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Summary

Background

- 1** In my audit opinion dated 29 September 2010, I reported that I was unable to conclude the 2009/10 audit and issue a certificate until I had considered a matter brought to my attention by a local authority elector.
- 2** This issue dates back to 2007/08 and is in respect of the cost of work on the Stour Leisure Centre. The elector requested that I issue a Report in the Public Interest under section 8 of the Audit Commission Act 1998.
- 3** Having now considered the issue fully, and received representations from both the Council and the local elector, I do not feel it would be appropriate for me to issue a Report in the Public Interest. I therefore now intend to close the audits for the years 2007/08 - 2009/10.

Next steps

- 4** To conclude the audit I am required to satisfy myself that there are no significant post balance sheet events which impact materially on the accounts for the last three years.
- 5** To assist me with this I would be grateful for your signed letter of representation. I have attached a draft letter for you to consider in Appendix 1. In Appendix 2 I have attached the proposed wording of the opinion and certificates for each of 2008/09 to 2010/11.

Appendix 1 - Draft letter of representation

To: Andy Mack
Appointed Auditor

Audit Commission
16 South Park
Sevenoaks
Kent
TN13 1AN

Ashford Borough Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Ashford Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatement

No further uncorrected misstatements have been identified other than those referred to in our letter dated 27 September 2010.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or

- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

I confirm there are no disclosures required in relation to the previous Chief Executive (David Hill) or Head of Financial Services (Pauline Adams).

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Ashford Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 14 December 2010.

Signed

Name

Position

Date

Appendix 2 - Draft Audit Certificate to the Members of Ashford Borough Council for the year ended 31 March 2010

Issue of audit opinion

In my audit report for the year ended 31 March 2010 issued on 29 September 2010 I reported that, in my opinion, the financial statements presented fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Issue of conclusion

As stated in my audit report for the year ended 31 March 2010 issued on 29 September 2010, I reported that in my opinion, in all significant respects, Ashford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

In my report dated 29/09/10, I explained that the audit could not be formally concluded on that date until consideration of matters brought to my attention by local authority electors had been completed. These matters have now been dealt with. No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack

Officer of the Audit Commission

Audit Commission, 16 South Park, Sevenoaks, Kent, TN13 1AN [Date]

Appendix 3 - Draft Audit Certificate to the Members of Ashford Borough Council for the year ended 31 March 2009

Issue of audit opinion

In my audit report for the year ended 31 March 2009 issued on 30 September 2009 I reported that, in my opinion, the financial statements presented fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Issue of conclusion

As stated in my audit report for the year ended 31 March 2009 issued on 30 September 2009, I reported that in my opinion, in all significant respects, Ashford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

Certificate

In my report dated [insert date], I explained that the audit could not be formally concluded on that date until consideration of matters brought to my attention by local authority electors had been completed. These matters have now been dealt with. No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack

Officer of the Audit Commission

Audit Commission, 16 South Park, Sevenoaks, Kent, TN13 1AN [Date]

Appendix 4 - Draft Audit Certificate to the Members of Ashford Borough Council for the year ended 31 March 2008

Issue of audit opinion

In my audit report for the year ended 31 March 2008 issued on 6 October 2008 I reported that, in my opinion, the financial statements presented fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Issue of conclusion

As stated in my audit report for the year ended 31 March 2008 issued on 6 October 2008, I reported that in my opinion, in all significant respects, Ashford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Certificate

In my report dated 6 October 2008, I explained that the audit could not be formally concluded on that date until consideration of matters brought to my attention by local authority electors had been completed. These matters have now been dealt with. No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack

Officer of the Audit Commission

Audit Commission, 16 South Park, Sevenoaks, Kent, TN13 1AN [Date]