

HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title:</b>	<b>Approval for Publication of the 2012/13 Annual Governance Statement and Annual Financial Report</b>
<b>Meeting/Date:</b>	Corporate Governance Panel – 26 September 2013
<b>Executive Portfolio:</b>	Resources: Councillor J A Gray
<b>Report by:</b>	Assistant Director (Finance and Resources)
<b>Ward(s) affected:</b>	All Wards

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**Executive Summary:**

The Council is required by statute to produce both an Annual Governance Statement and an Annual Financial Report. Both of these documents are produced in line with statutory regulation and are required to be approved by “those charged with governance” and published by the 30<sup>th</sup> September.

In order to approve the accounts the Council must:

- Consider the “draft” Auditors Report (Section 3) which comments on the auditor’s findings on the accounts and their view on value for money. Both the accounts and the Value for Money position of the Council are expected to receive an unqualified audit opinion.
- Approve the Annual Governance Statement (Section 4) which includes some significant areas for improvement; including performance management, budgetary control, partnership engagement, annual reporting, project management, procurement and relationships with LGSS. Where appropriate there are actions to be taken.
- Approve the Letter of Representation (Section 5)
- Approve the Annual Financial Report and authorise the Panel’s Chairman to sign them on behalf of the Council (Section 6)

Provision is made for the audit fees within existing budgets.

**Recommendation(s):**

It is recommended that the Panel:

- Receives the Draft Auditor’s ISA 260 report (Appendix A).
- Approves the Annual Governance Statement (Appendix B) and authorise the Executive Leader and Managing Director to sign the Statement on behalf of the Council.
- Approves the Letter of Representation (Appendix C) and authorises the Assistant Director (Finance and Resources) to sign it on behalf of the Council.
- Approves the Annual Financial Report (Appendix D) and authorises the Chairman of the Panel to sign the accounts on behalf of the Council.

## **1. PURPOSE**

- 1.1 To complete the processes for finalising and publishing both the Council's Annual Governance Statement and Annual Financial Report for 2012/13.

## **2. BACKGROUND**

- 2.1 The Panel is designated as "those charged with governance" and consequently, is required to approve both the Annual Governance Statement and Annual Financial Report prior to publication, which has to be achieved by the statutory deadline of the 30<sup>th</sup> September. To do this the Panel needs to follow the stages in the order shown in this report.

## **3. RECEIVING THE DRAFT AUDITORS REPORT (ISA 260 REPORT)**

- 3.1 This will be presented to the meeting by the Council's external auditors, PricewaterhouseCoopers LLP (PWC) and is attached as Appendix A.

- 3.2 The main issues that have been raised within the report, relating to both the Annual Governance Statement and the Annual Financial Report are:

### Annual Governance Statement

- Culture of control and compliance.
- Financial position.
- Project management.
- Procurement and Contracting.

### Annual Financial Report

- Cut-off treatment for housing and council tax benefit payments.
- Treatment of trading operations.
- Bank reconciliations.
- Pensions liability

- 3.3 With regard to the Annual Financial Report, all of the changes that the external auditor has requested have been made. Since the Annual Financial Report was approved in June 2013, the General Fund Reserve has increased by £0.195m. The pre-audited accounts had cautiously assumed that a reduction in the bad debts provision should be spread over two years to ensure that the economic position did not worsen. The auditors have requested that this adjustment should not take place over two financial years but should be wholly accounted for within 2012/13.

- 3.3 In addition to reviewing the Annual Financial Report, the auditors are required to give a view on Value for Money within the Council.

- 3.4 The auditors anticipate an unqualified opinion in respect of both the Annual Financial Report and the Value for Money conclusion.

- 3.5 The enclosed draft report was only finalised on 18<sup>th</sup> September and so there has not been time to produce a commentary on the main issues raised. This will be circulated as soon as possible.

#### **4. APPROVE THE ANNUAL GOVERNANCE STATEMENT**

4.1 The Council is required to review once a year the effectiveness of its system of internal control and following that review, approve its annual governance statement. The governance statement will be published alongside the annual statement of accounts and is shown at Appendix B.

4.2 Two informal meetings have been held with the Panel. At the first the evidence supporting the Code of Corporate Governance was considered, whilst at the second the draft governance statement was reviewed. The Panel have been robust in challenging the information presented to them.

4.3 The governance statement includes six significant areas for improvement.

- Develop the themes and aims contained in the Leadership Direction through Service Plans, performance measures and reporting and links to employees key performance targets.
- Improve budget holders financial competency and awareness for good budgetary control and management.
- Reinvigorate engagement with the Huntingdonshire Strategic Partnership through the Huntingdonshire Matters process to create a vision around collaborative working.
- Introduce an annual report from the 2013/14 financial year to be published alongside the statutory accounts.
- Improve the management and delivery of projects by introducing a project management tool-kit, that can be applied to projects across all levels of the authority.
- Continue to educate and train employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement.

4.4 These six issues notwithstanding, the governance arrangements and the internal control environment are considered to be operating effectively.

#### **5. APPROVE THE LETTER OF REPRESENTATION**

5.1 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate. This is attached as Appendix C and it is "best practice" for the Panel to approve the content of this letter and then authorise the Assistant Director (Finance and Resources) to sign it on behalf of the Council.

#### **6. APPROVE THE ANNUAL FINANCIAL REPORT**

6.1 The Council is required to produce and approve by the 30<sup>th</sup> June an Annual Financial Report, which incorporates the Statement of Accounts. Then by the 30<sup>th</sup> September "those charged with governance" are required to approve and the Council is required to publish the accounts. The Annual Financial Report is attached at Appendix D and the Panel is asked to approve the accounts and authorise the Chairman to sign them on in its behalf. The issues that have

been raised by the auditor in respect of the Annual Financial Report are detailed within paragraph 3. If there are any further changes subsequent to the issuing of this report, further commentary will be included in the note referred to in paragraph 3.5.

## **7 REASONS FOR THE RECOMMENDED DECISIONS**

- 7.1 The process that has been followed in preparing both the Annual Governance Statement and the Annual Financial Report has been thorough and in line with statutory regulations.
- 7.2 The significant issues that have been identified for inclusion within the Annual Governance Statement are referenced within the statement and are a reflection of the current situation.
- 7.3 Both the Annual Governance Statement and the Annual Financial Report have been subject to external audit review by the Council's auditors, PricewaterhouseCoopers.

## **8. LIST OF APPENDICES INCLUDED**

Appendix 1 – Auditor's Report – ISA 260 Report  
Appendix 2 – 2012/13 Annual Governance Statement (TO FOLLOW)  
Appendix 3 – Letter of Representation  
Appendix 3 – 2012/13 Annual Financial Report

## **BACKGROUND PAPERS**

### Annual Governance Statement

Code of Corporate Governance

CIPFA/SOLACE Publications:

Delivering Good Governance in Local Government: Framework 2007

: Framework Addendum 2012

### Annual Finance Report

Final Accounts and Working Papers

Code of Practice on Local Authority Accounting in the United Kingdom 2012/13

Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2012/13 Accounts

## **CONTACT OFFICER**

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