

## ITEM NO: 5

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	AUDIT COMMISSION: ANNUAL GOVERNANCE REPORT 2006/07		
<b>DATE OF DECISION:</b>	27 <sup>TH</sup> SEPTEMBER 2007		
<b>REPORT OF:</b>	CHIEF INTERNAL AUDITOR		
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### STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

### SUMMARY

The Audit Commission is required to report to the Standards and Governance Committee on the conclusions of their 2006/07 audit of accounts.

The Audit Commission's draft Annual Governance Report 2006/07, including recommendations arising from this work to improve governance arrangements, is appended.

The Audit Commission's work on the financial statements 2006/07 is substantially complete. Any further matters arising in concluding the outstanding work will be raised verbally with the Chair of the Standards and Governance Committee. The Audit Commission expects to issue an unqualified audit opinion on 28<sup>th</sup> September 2007.

The Audit Commission's work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is complete. The Audit Commission will issue an unqualified conclusion on the use of resources on 28<sup>th</sup> September 2007.

As part of the audit, the Audit Commission has identified weaknesses in the systems of internal control and made recommendations to address those weaknesses.

### RECOMMENDATIONS:

- (i) That the Audit Committee notes the recommendations arising in relation to the Audit Commission's draft Annual Governance Report for 2006/07.
- (ii) That the Audit Committee reviews progress against the recommendations on a regular basis.

### REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee has specific responsibility for oversight of and provision of assurance to the Standards and Governance Committee on the actions being taken on risk and internal control related issues identified by the external auditors. The auditor's report identifies weaknesses in the system of internal control and makes recommendations for improvement.

## **CONSULTATION**

2. Officers responsible for taking actions in respect of the recommendations identified in the Audit Commission's report have been consulted.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3. None

## **DETAIL**

4. The Audit Commission's draft report is attached for consideration in the appendix. The external auditor will be in attendance at the Committee meeting to answer any questions.
5. The Committee's attention is drawn in particular to the 'Use of Resources' section of the report. Paragraph 30 refers to last year's qualified VFM conclusion in relation to the Council's arrangements to maintain a sound system of internal control. The report notes the actions taken to resolve these weaknesses, in particular:
  - strengthening risk management arrangements;
  - establishment of the Audit Committee;
  - improvements within internal audit;
  - strengthened management of housing benefits; and
  - improved capital project management.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

None

### **Revenue**

None

### **Property**

None

### **Other**

None

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

### **Other Legal Implications:**

None

## **POLICY FRAMEWORK IMPLICATIONS**

None

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Draft Annual Governance Report 2006/07
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**Documents In Members' Rooms**

1.	None
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**Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the  
Access to Information  
Procedure Rules / Schedule  
12A allowing document to be  
Exempt/Confidential (if  
applicable)

1.	None	
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**Background documents available for inspection at:** Internal Audit Office, North Block  
Basement, Civic Centre

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**FORWARD PLAN No:**

N/A

**KEY DECISION?**

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**WARDS/COMMUNITIES AFFECTED:**

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