

Report of: Corporate Director of Finance

Meeting of:	Date	Agenda item	Ward(s)
Standards Committee	4 th February	5	All

Delete as appropriate	Exempt	Non-exempt

SUBJECT: ANNUAL AUDIT LETTER 2008/09
1. Synopsis

- 1.1 Islington is determined to achieve the goals set out in the 'One Islington' vision. The Annual Audit Letter for 2008-09 recognises the continuing improvements made by the Council over the past year which have led to the Council being considered as managing its performance and use of resources well and scoring three out of four in these areas under the new Oneplace report.

2. Recommendations

- 2.1 To note the contents of the Annual Audit and Inspection Letter for 2008-09 and welcome the positive assessment of the Council's performance in the important areas of financial reporting, governance, internal control, value for money and use of resources.
- 2.2 To note the areas for further improvement as identified in the letter, and that these have been included in service plans for the coming year.

3. Background

- 3.1 The Annual Audit Letter summarises the findings from the District Auditor's audit work for 2008-09. The work involves the audit of the Council's financial statements, pension fund financial statements, an assessment of the Council's arrangements for securing economy, efficiency and effectiveness and the scored use of resources judgement. The outcome of the audit of the Council's financial statements, pension fund financial statements and conclusion on economy, efficiency and effectiveness have previously been reported to the Audit Committee on 24 September 2009 as part of the District Auditor's Annual Governance Report for 2008/09.
- 3.2 The letter is addressed to the Council but is available as a public document for stakeholders. A full copy of the letter is included with this report.

Council's financial statements

- 3.3 The Council's financial statements for 2008-09 received an unqualified opinion from the District Auditor. The findings from the audit together with a number of recommendations from the District Auditor were presented to the Audit Committee on 24 September. It was reported that the auditor found the draft accounts submitted to audit to be complete and only some minor adjustments to disclosure notes were required to be made to the accounts. This report is one of the best District Auditor reports the Council has received.

Pension Fund financial statements

- 3.4 The pension fund financial statements for 2008-09 received an unqualified opinion from the District Auditor. The findings from the audit of the pension fund statements together with a number of recommendations from the District Auditor were presented to the Audit Committee on 24 September and subsequently to the Pension Sub-Committee on 19 October. There were a number of errors in the draft pension fund statements that were corrected during the audit and officers have committed to increasing the accounting resource assigned to this area and target the areas that caused error. This will also free up the senior resources for more quality assurance.

Internal control arrangements

- 3.5 The District Auditor found no material weaknesses in the council's internal control arrangements. A small number of control areas were identified where further improvements could be made and the Audit Committee in September agreed the recommendations and action plan concerning these.

International Financial Reporting Standards (IFRS)

- 3.6 The Council has a comprehensive plan to ensure the more complex accounting framework under IFRS is successfully implemented. The plan is being monitored closely by senior management, appropriate resources are being targeted at the key technical areas and appropriate action will be taken as and when required to ensure the statutory deadlines are met.

Use of resources

- 3.7 The District Auditor's assessment that the Council has adequate arrangements for securing economy, efficiency and effectiveness in its use of resources is informed by the use of resources judgement. The latest use of resources judgement is set out in table 2 of the report. The assessment this year has been made a harder test under the new Comprehensive Area Assessment arrangements. The outcome of the assessment is an overall score of 3 out of 4 for the Council, with the Council scoring a 4 for the use of natural resources. A summary of the scores is set out below.

Use of resources score by theme

Managing finances	3
Governing the business	2
Managing resources	4

- 3.8 Stemming from their use of resources work, the District Auditor has made four recommendations, concerning further improvement to contract monitoring, data quality, risk registers and controls in financial systems. These recommendations are all accepted and action is in hand to make the necessary improvements.

Current financial issues

- 3.9 The final area commented upon by the District Auditor is the Council's current financial position in the context of the economic downturn and the banking crisis as represented in the regular financial monitoring information received by the Executive. The District Auditor notes the current pressures identified in monitoring reports to the Executive and the Council's expectation that it will deliver its overall budget by offsetting these pressures against savings achieved through a lower salary settlement, better than expected investment returns and delaying planned borrowing as well as by using the corporate contingency set up in anticipation of the budget pressures. It recommends that the financial position should continue to be monitored closely and appropriate action taken. The Council has been monitoring the financial position closely all year and will continue to do so, through robust

financial monitoring, management action, intelligent use of the contingency budget and regular financial reporting.

4. Implications

4.1 Financial implications

These are contained within the body of the report

4.2 Legal Implications

None

4.3 Equality Impact Assessment

No equalities impact assessment has been carried out on this report.

5. Conclusion and reasons for recommendations

- 5.1 The Annual Audit Letter is a positive demonstration of the further progress the council has made over the past year and the soundness of the financial and internal controls in place. Further improvements, as pointed out in the recommendations, will be made in the year ahead.

Appendices

A - Annual Audit Letter 2008-09

Background papers: (available online or on request)

Annual Governance Report – Audit Committee – 24 September 2009

Pension Fund Annual Governance Report – Audit Committee 24 September 2009 & Pension Sub Committee 19 October 2009.

Final report clearance:

Signed by:

Received by: Executive Member for Finance Date

Head of Democratic Services Date

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