

Somerset County Council
Audit Committee – 23 September 2010

Annual Governance Report 2009/10

Corporate Director: Roger Kershaw (Resources)

Lead Officer: Jacky Barnes, Chief Internal Auditor

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Cabinet Member: David Huxtable

Division and Local Member: All

1. Summary/link to the Annual Plan

- 1.1. This report introduces the Annual Governance report prepared by our external auditors from the Audit Commission. The report, which will be presented by our external auditors, summarises the findings from the 2009/10 audit.
- 1.2. The report has been seen and accepted by officers as a fair reflection of the audit findings.

2. Issues for consideration

- 2.1. Members are asked to:
 - consider the matters raised in the report before approving the financial statements;
 - take note of the adjustments to the financial statements which are set out in Appendix 2 of the report;
 - agree to adjust the errors in the financial statements, which management has declined to amend or agree to the reasons for not amending the errors set out in Appendix 3 of the report;
 - approve the letter of representation on behalf of the Council;
 - agree the action plan.

3. Background

- 3.1. This is a positive report for the County Council in terms of receiving an unqualified opinion and value for money conclusion. The efforts of both Southwest One Shared Accounting team and especially the County Council Corporate Finance team to achieve the very tight deadlines for closing down should not be underestimated. The difficult implementation of SAP and a less than responsive approach to the accounts closing process particularly in relation to system access controls by Southwest One has, however, meant that the Audit Commission has had to carry out a programme of substantive testing of:
 - individual transactions which has highlighted a number of adjustments which have needed to be made to the accounts;
 - access controls to provide assurance that the accounts are not materially misstated.

The Audit Commission will charge the County Council for the additional work that they have carried out. The County Council will be seeking to recover those costs from Southwest One. There is also a need to train Southwest One staff generally in relation to the closing process and more specifically in relation to the accounting issues and recommendations identified in the report.

4. Consultations undertaken

4.1. None.

5. Implications

5.1. There will be a financial cost to the County Council of fees charged for the additional work carried out by the External Auditors. The amount is not currently finalised but will be reported in the Annual Audit Letter 2009/10.

6. Background papers

6.1. None.

Note: For sight of individual background papers please contact the report author