

ANNUAL AUDIT LETTER**Contact Officers:**

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1. Purpose

- 1.1 To advise the Audit Committee of the receipt and content of the Annual Audit Letter received from the Audit Commission.

2. Recommendation

- 2.1 That the key messages contained within the report be noted.

3. Background

- 3.1 The Annual Audit and Inspection Letter summarises the work of the Audit Commission for the 2008/09 audit year.
- 3.2 Under the Code the District Auditor reviews and reports on:
 - The Council's accounts;
 - How well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.
 - Whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

4. Issues

- 4.1 The Annual Audit Letter summarises the findings from the 2008/09 audit. It includes messages arising from the audit of the financial statements and the results of the work the Audit Commission have undertaken to assess the Council's arrangements to secure value for money in use of resources.
- 4.2 As such, Members will be aware of much of the content of the Annual Audit Letter. The actual Letter is attached as Annex A to this report.
- 4.3 The key judgements contained within the Annual Audit Letter are:
 - An unqualified audit opinion was issued on the 2008/09 financial statements on 27 November 2009.

- A qualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources, except in the following areas, which were assessed as having weaknesses in the arrangements for:
 - plan your finances effectively to deliver strategic priorities and secure sound financial health;
 - reliable financial reporting that meets the needs of internal users, stakeholders and local people;
 - the promotion and demonstration of the principles and values of good governance; and
 - management of risks.

- The Audit Commission were assessed the authority's preparedness for meeting the requirements of International Financial Reporting Standards (IFRS). Milton Keynes was assessed as 'red' or at risk against these requirements. Although the authority has identified the main additional requirements of IFRS, processes to address these are still at an early stage. The main issues are:
 - availability of the necessary information for property, plant and equipment;
 - correct identification and classification of leases under the wider definition of leases and associated arrangements under IFRS;
 - potential requirement to disclose group accounts in accordance with IFRS; and
 - correct disclosure of staff benefits (accrued leave).

The Audit Commission will work with the Council to support the successful transition to full reporting under IFRS. The Council has agreed to be a case study site for an Audit Commission national study on implementation of IFRS in local government.

- Overall, the assessments of arrangements for the use of resources was that Milton Keynes performed adequately in 2008/09 - level 2. Councillors and managers need to work together to improve:
 - financial planning;
 - understanding costs and achieving efficiencies;
 - using performance management to promote delivery of value for money;
 - financial reporting; and
 - accounts preparation.

5. Implications

5.1 Policy

None.

5.2 Resources and Risk

The Annual Audit Letter contains judgements on the financial management of the authority as a whole. As a result the Council will look to improve these arrangements.

Yes	Capital
No	IT

Yes	Revenue
Yes	Medium Term Plan

No	Accommodation
No	Asset Management

5.3 Legal

The Audit Commission audit the Authority accounting statements and related notes under the Audit Commission Act 1998. Their report is made solely to the members of Milton Keynes Council in accordance with Part II of the Audit Commission Act 1998

5.4 Other implications:

None.

No	Equalities/Diversity
No	E-Government
No	Carbon Management

No	Sustainability
No	Stakeholders

No	Human Rights
No	Crime & Disorder

Background Papers:

Reports to the Audit Committee meeting held on 29 September 2009