



Leicester
City Council

CABINET

15th December 2003

Statement Of Auditing Standards

Report of the Chief Finance Officer

1. Introduction

- 1.1 The purpose of this report is to describe the requirements of a new statement of auditing standards (SAS610) which requires the Council's auditors to bring certain matters to members' attention before the end of the year.
- 1.2 The auditor has not yet decided whether or not there are any matters which need to be reported in this way. Should any arise, they will be the subject of a separate note circulated to members before your meeting.

2. Recommendations

- 2.1 The Cabinet is asked to consider the contents of any separate note circulated by the district auditor; or to note that the auditor has not felt it necessary to report any matters under SAS610.

3. SAS610

- 3.1 SAS610 is a new auditing standard, which takes effect from the date of the 2003/04 accounts.
- 3.2 The standard requires the auditors to report to members prior to signing the audit certificate:-
 - a) Any likely comment which will appear in the auditor's opinion on the accounts;
 - b) Any weaknesses identified in the Council's accounting systems;
 - c) Any other views about the Council's financial practices which they believe need to be drawn to members' attention.

- 3.3 The standard also requires the auditors to report any matters where the Council's accounting treatment of an item differs from what they would perceive to be the correct treatment, and the difference is "non-trifling". In this

respect, "non-trifling" means items which are neither "trifling", which would not be brought to members' attention at all; nor which are "material", which would result in formal comment in the audit certificate itself. In effect, the auditing standard requires members' attention to be drawn to matters which are of lesser significance than previously would have been drawn to their attention. Members are asked to note that, from time to time, there are differences of opinion between my staff and the auditors on the correct treatment of "non-trifling" items in the accounts.

- 3.4 The origins of the standard are in the private sector: it is designed to ensure that boards of companies have greater awareness of issues of concern to the auditors, in the wake of scandals such as Enron. Given the extent of public sector audit and inspection, and the specific powers of local authority external auditors to make reports in the public interest, it could be debated whether or not this standard provides a useful additional tool in the auditor's armoury.
- 3.5 The auditor is still completing work on the audit, and has not yet decided whether or not there are any matters he needs to report to you. Given that he is required to sign the audit certificate by 31st December, any matters he wishes to raise need to be presented to Cabinet on 15th December. This will be achieved by means of a supplementary note if one is required.

4. Financial & Legal Implications

- 4.1 Any implications will be included in the auditor's note.

5. REPORT AUTHOR

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3rd December 2003

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Cabinet