

 Finance and Audit Scrutiny Committee 22 September 2015		Agenda Item No. 3
Title	Audit Findings Report from External Auditor	
For further information about this report please contact	Mike Snow Tel 01926 456800 Marcus Miskinis Tel 01926 456804	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	Statement of Accounts on 23 September 2015 Council Agenda	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive	17/9/2015	Chris Elliott
Head of Service	17/9/2015	Head of Finance
CMT		
Section 151 Officer	17/9/2015	Mike Snow
Monitoring Officer	17/9/2015	Andy Jones
Finance	17/9/2015	Accountants
Portfolio Holder(s)	17/9/2015	Peter Whiting

Consultation & Community Engagement	
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. SUMMARY

- 1.1 The Council's external auditors, Grant Thornton, have now issued their Audit Findings Report in respect of 2014/15, which is attached. Their audit of the 2014/15 Statement of Accounts is substantially complete, although some work is being finalised; the auditors anticipate issuing an unqualified audit opinion. The audited accounts are due to be agreed by full Council on 23 September, following which they will be published ahead of the 30 September deadline.

2 RECOMMENDATION

- 2.1 That the Finance and Audit Scrutiny Committee:
- a. Notes the 2014/15 Audit Findings Report (Appendix A); and
 - b. Approves the letter of representation (Appendix B), on behalf of the Council before the District Auditor issues his opinion and conclusion.

3 REASONS FOR THE RECOMMENDATION

- 3.1 The Finance and Audit Scrutiny Committee, as the Council's audit committee, is expected to consider the Audit Findings Report. Under the International Standard on Auditing 260, the Council's External Auditors, Grant Thornton, are required to report on their findings from the 2014/15 audit. This is included as Appendix A. This report identifies the key issues that members should consider before the auditors issue their opinion, conclusion and certificate.
- 3.2 Some changes were proposed to the original Statement of Accounts prepared in June. All changes have been included within the Statement of Accounts due to be approved by Council on 23 September.
- 3.3 Whilst work is still on-going on the audit at the time of writing this report, the auditors anticipate issuing an unqualified audit opinion on the accounts.
- 3.4 The auditors have not been able to certify the completion of the 2013/14 audit due to them not having been able to conclude their work on one of the four objections received in respect of the 2013/14 accounts. As the related expenditure has continued into 2014/15, the audit for that year cannot similarly be concluded at this stage. No objections have been received in respect of the 2014/15 accounts.
- 3.5 The Council also needs to provide a Letter of Representation to the auditors before they will issue their opinion.

4 POLICY FRAMEWORK

- 4.1 **Policy Framework** – By considering and scrutinising the report members are acting in accordance with the priority of managing services openly, effectively and efficiently.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a review of the past year's performance.

5 BUDGETARY FRAMEWORK

- 5.1 The Audit Findings Report is a review of the financial performance of the year 2014/15 and has no direct impact on budgets. The changes to the accounts arising from the Audit Findings Report do not have any effect on the Council's overall financial standing.
- 5.2 The planned cost of the audit was £71,497 as reported in May 2014 to the Committee. Grant claims are estimated to cost £8,530 for which this work is still on-going so a final figure cannot be given as yet. The Council will also incur an additional cost for the audit of the Pooling of Housing Capital Receipts return which is outside of the scope of the grant certification figure quoted above.
- 5.3 The work for dealing with the Local Government objections has cost £12,857 for the objections determined so far in respect of 2013/14, with further costs for the remaining objection. The cost of this work is not reflected in the original fee. The final fee will be reported to members as part of the Annual Audit Letter when the audit is completed.
- 5.4 A further report will be presented from Grant Thornton on the audit of the Grant Claims.

6 RISKS

- 6.1 That the objection still outstanding to the accounts are upheld by the external auditor. Discussions are currently ongoing with the external auditor to address the issues raised.

7 ALTERNATIVE OPTION(S) CONSIDERED

- 7.1 No alternatives have been considered.

8 BACKGROUND

- 8.1 The Statement of Accounts were duly prepared by the required date of 30 June 2015, and signed by the Responsible Financial Officer. These were subsequently presented to the Finance and Audit Scrutiny Committee in July for consideration. The audit of the accounts by Grant Thornton commenced in August. Details of the Audit Plan were presented to the Committee May.
- 8.2 The main issue arising from the Audit Findings Report is the auditor's anticipation of issuing an unqualified opinion on the 2014/15 Accounts. Whilst there are some changes proposed to the unaudited Accounts that members considered in July, these are not believed to be significant and not untypical for any local authority given the complexity of the accounting requirements.
- 8.3 One significant matter has been raised by the auditors in respect of the accounts, which is discussed on page 12 and 17 of their report. It will be noted that the work by officers on valuing the Property, Plant and Equipment produced a difference of £1.234m against £330m, which was not initially deemed significant enough to justify altering the valuations. As the variance exceeded the auditor's materiality threshold of £1.229m, it has been necessary to update some of the valuations, notably those for car parks.

- 8.4 Other adjustments to the accounts have been made as discussed on pages 17 and 18. None of these have had any impact on the Council's available resources.
- 8.5 The Audit Findings Report also includes details of the Value For Money Conclusion for 2014/15. The report states that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.
- 8.6 The auditors have had further discussions with officers over the length of the accounts, with a view to seeking further reductions. Officers will continue to work with the auditors to agree where it is possible to make such reductions.