

 Finance & Audit Scrutiny Committee - 25 September 2013		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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	Finance and Audit Scrutiny 9 July 2013	
Background Papers	Statement of Accounts issued with 26 September 2013 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/Deputy Chief Executive	17 Sept 2013	
Head of Service	17 Sept 2013	Mike Snow
CMT	17 Sept 2013	
Section 151 Officer	17 Sept 2013	Finance Report
Monitoring Officer	17 Sept 2013	
Finance	17 Sept 2013	Finance Report
Portfolio Holder(s)	17 Sept 2013	Cllr Mobbs

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 have now issued their Audit Findings Report in respect of 2012/13, which is attached. This follows the completion of their audit of the 2012/13 Statement of Accounts for which they anticipate issuing an unqualified audit opinion. The audited accounts are due to be agreed by full Council on 26 September, following which they will be published ahead of the 30 September deadline.

2 RECOMMENDATION

- 2.1 That the Finance and Audit Scrutiny Committee note the 2012/13 Audit Findings Report (Appendix A).
- 2.2 Approve 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 2012/13 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 26 September.
- 3.3 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 2012/13 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 cost of the audit is £70,597, which is in line with the cost quoted in the Audit Plan report that was presented to Finance and Audit Scrutiny Committee in April. Grant claims are estimated to cost £10,850 for which this work is still on-going so a final figure cannot be given as yet. A further report will be presented from Grant Thornton on the audit of the Grant Claims.

6 ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 No alternatives have been considered.

7. BACKGROUND

- 7.1 The Statement of Accounts were duly prepared by the required date of 30 June 2012, 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 April.
- 7.2 The main issue arising from the Audit Findings Report is the auditor's anticipation of issuing an unqualified opinion on the 2012/13 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.
- 7.3 The main changes proposed to the accounts are detailed on page 14 of the report entitled "Misclassifications & disclosure changes". All of these changes only affect the details within the notes to the accounts. These changes were:-
- Impairments – wording in note 39 not correctly updated from previous year statement. (See page 73 of updated Statement of Accounts issued with 26 September 2013 Council agenda).
 - Pension Funds Assets & Liabilities – The cumulative loss quoted included losses identified by the previous actuaries. The note has been amended to reflect only the cumulative losses since the current actuaries were employed from 2011. (Page 74 of Statement of Accounts).
 - Cashflow – Investments (Note 27) – These are now shown "gross" over two rows to show separately investments made and repaid (Page 61 of Statement of Accounts).
- 7.4 Overall the audit has gone well, with the auditors being very pleased with the standard of the supporting working papers and responses from officers.
- 7.5 The Audit Findings Report also includes details of the Value For Money Conclusion for 2012/13. The report states that the Council has proper

arrangements to secure economy, efficiency and effectiveness in the use of resources.

- 7.6 An objection to the accounts has been made by a local elector in relation to the Council's expenditure on opposition to HS2, which the objector is suggesting is unlawful. This is currently being considered by the auditors. This is delaying the formal conclusion of the audit and the issue of an audit certificate. However, Grant Thornton are satisfied that these matters do not have a material effect on the financial statements or a significant impact on the value for money conclusion.
- 7.7 The Council's previous external auditors, the Audit Commission, issued an Annual Governance Report on the conclusion of the audit. This Audit Findings report replaces that report.