

 Finance & Audit Scrutiny Committee - 23 September 2014		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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 issued with 24 September 2014 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	11/9/2014	Chris Elliott
Head of Service	11/9/2014	Head of Finance
CMT	11/9/2014	
Section 151 Officer	11/9/2014	Mike Snow
Monitoring Officer	11/9/2014	Andy Jones
Finance	11/9/2014	Accountants
Portfolio Holder(s)	11/9/2014	Stephen Cross

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 2013/14, which is attached. Their audit of the 2013/14 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 24 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 2013/14 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 2013/14 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 24 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 2013/14 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 £70,597 as reported in May to the Committee. Grant claims are estimated to cost £10,880 for which this work is still on-going so a final figure cannot be given as yet. Actual fees have increased by £900 compared to the audit plan. This is following approval by the Audit Commission for all Local Government bodies that a fee variation was

appropriate as a result of the extra work required on business rates following the change in the accounting requirements.

- 5.3 The work on the objection to the accounts from a local resident is still on-going. 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 objections 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 2014, 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 2013/14 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 The main changes proposed to the accounts are detailed on page 14 of the report entitled "Adjusted Misstatements" and "Misclassifications & disclosure changes" on page 15. All of these changes only affect the details within the notes to the accounts. These changes were:-
- £614k wrongly included as revaluations and not de-recognition within the notes to the accounts and cashflow statement. The figures within the balance sheet and cashflow statement were not affected.
 - Presentation and disclosure. These mainly included a small number of improvements for clarity.
- Overall the audit has gone well, with the auditors being very pleased with the standard of the supporting working papers and responses from officers.
- 8.4 The Audit Findings Report also includes details of the Value For Money Conclusion for 2013/14. The report states that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 8.5 An objection to the accounts has been made by a local elector in relation to the granting of leases on land adjacent to the racecourse. This is currently being

considered by the auditors. This is delaying the formal conclusion of the audit and the issue of an audit certificate.

- 8.6 This year there have been more requests from the public to inspect the accounts and supporting documents. This has presented more work for the Accountants in responding to these requests. Consideration is being given to how it may be possible to streamline the public's right to inspect the accounts ahead of the inspection period for the 2014/15 accounts next Summer.
- 8.7 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.