

Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of Director of Finance

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2017-18 Audit Findings Report: Year Ended 31 March 2018

Executive Summary

The audit of the 2017-18 accounts is complete and the independent auditor intends to issue an unqualified opinion on the financial statements, which the CFO will re-certify in accordance with the Accounts and Audit Regulations 2015 immediately after the Committee meeting. The auditors have issued an Audit Findings report, which is included in Appendix 1, along with a management action plan (Audit Findings Report, Appendix A).

The auditors found a one material misstatements which affected the primary financial statements but not the overall financial position of the Council. This was a complex accounting issue that has been amended in the accounts. They also found two omissions one relating to the depreciation on the crematorium not being written back to gross cost at the point of revaluation and £3.414 million of capital assets classified as operational assets but should be assets under construction in note 25. There are also some minor changes that are not individually significant enough to warrant separate disclosure in the findings report.

The auditors propose to give an unqualified Value for Money conclusion. Their recommendations relating to value for money are included in the action plan. The key points relate to the medium term financial plan and the general fund capital programme.

The Chairman of the Corporate Governance and Standards Committee is required to issue a letter of representation on behalf of the Council to the auditors to provide assurance over the management framework operating at the Council and the disclosures in the accounts. A copy of the proposed letter is provided at Appendix 2.

Recommendation to Committee

- (1) That Grant Thornton's Audit Findings report, as set out in Appendix 1 to this report, be noted together with the management responses provided in the action plan, as set out

as Appendix A to Appendix 1.

- (2) That the letter of representation, as set out in Appendix 2 to this report, be approved and that the Chairman be authorised to sign the letter on the Council's behalf.

Reason(s) for Recommendation:

To allow the external auditor to issue his opinion on the 2017-18 accounts.

1. Purpose of Report

- 1.1 The report asks the Committee to consider the external auditor's Audit Findings report (AFR) for the 2017-18 financial year and the issues it raises.

2. Strategic Framework

- 2.1 Good financial management underpins the achievement of the Council's Corporate Plan.

3. Background

- 3.1 Grant Thornton prepares its AFR to meet the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice by reporting on:

- (a) the Council's financial statements; and
- (b) whether the Council has made proper arrangements for securing value for money in its use of resources

- 3.2 The International Standard on Auditing 260 requires "those charged with governance" to consider the report before the external auditor can sign off his opinion on the accounts. The statutory deadline for issuing the audit opinion is 30 July.

- 3.3 Appendix 1 is the draft AFR for 2017-18. The auditors suggested a number of improvements to disclosures for which we amended the notes to the financial statements and found two audit adjustments and some minor omissions.

- 3.4 In relation to the statement of accounts, the auditors concluded that the Council produced a good set of financial statements, supported by comprehensive working papers and met the new statutory deadline for producing the account of 31 May. The Auditors did identify one material misstatement relating to the treatment on a lease in the accounts which required a change to the primary statements, but had no overall impact on the Council's financial position. The auditors also concluded that the Annual Governance Statement and Narrative Report are consistent with the financial statements.

- 3.5 In relation to value for money, the auditors concluded that in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

- 3.6 The auditor has made some recommendations relating to value for money; the action plan at Appendix A to the AFR gives the management responses. The external auditor will attend the meeting to present the report and answer any questions.
- 3.7 This Committee has authority to approve the accounts on behalf of the Council. A separate report on this agenda considers the final statement of accounts, amended for the disclosure items raised in the AFR and includes an updated Annual Governance Statement.
- 3.8 To enable the auditor to conclude their audit, the Council is required to send a letter of representation to the auditors to provide assurance over the management framework and the disclosures made in the accounts. A copy of the proposed letter of representation is included at Appendix 2.

4. Financial Implications

- 4.1 There are no financial implications because of this report.

5. Legal Implications

- 5.1 The International Standard on Auditing (UK and Ireland) 260 requires the external auditor to report any issues arising from the audit of the Financial Statements to those charged with governance. In the Council's case, this is the Corporate Governance and Standards Committee.
- 5.2 The International Standard on Auditing (UK and Ireland) 580 requires the Chief Financial Officer to send a letter of representation to the external auditor. Appendix 2 is a draft of the 2017-18 letter of representation, which officers recommend that the Committee approves and that the chairman signs the letter of representation on the Council's behalf.

6. Human Resource Implications

- 6.1 There are no human resource implications because of this report.

7. Conclusion

- 7.1 The audit of the 2017-18 accounts is nearly complete and the independent auditor intends to issue an unqualified opinion on the financial statements, which the CFO will re-certify in accordance with the Accounts and Audit Regulations 2015. The auditors did not find any adjustments that affected our reported financial position.
- 7.2 The auditors propose to give an unqualified Value for Money conclusion. Their recommendations relating to value for money are included in the action plan.

8. Background Papers

2017-18 Statement of Accounts

9. Appendices

Appendix 1: Draft Audit Findings report 2017-18

Appendix 2: Letter of Representation