

Corporate Governance and Standards Committee Report

Report of Managing Director

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2015-16 Audit Findings Report: Year Ended 31 March 2016

Executive Summary

The audit of the 2015-16 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 on Friday 23 September 2016. 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 have not found any adjustments that affected our reported financial position but did identify some improvements to disclosure notes, which we amended for the final set of accounts. The auditors have made 8 recommendations relating to our internal controls and the approach to valuing other land and buildings included within the Council's balance sheet.

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 recommendations relate to actions necessary to address the Council's medium term budget gap.

Recommendation to Committee

- (1) That Grant Thornton's Audit Findings report attached as Appendix 1 to this report, and the management responses provided in the action plan (Appendix A to Appendix 1) be noted.
- (2) That the letter of representation, as set out in Appendix 2 to this report, on behalf of the Council be approved and that the Chairman be authorised to sign the letter on the Council's behalf.

Reason for Recommendation:

To allow the external auditor to issue his opinion on the 2015-16 accounts.

1. Purpose of Report

- 1.1 The report asks the Committee to consider the external auditor's Audit Findings report (AFR) for the 2015-16 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 The Audit Commission carried out a tender exercise in 2011 for the provision of external audit to local authorities and appointed Grant Thornton as our auditors.
- 3.2 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
- 3.3 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 September.
- 3.4 Appendix 1 is the final AFR for 2015-16. The auditors suggested a number of improvements to disclosures for which we amended the notes to the financial statements (page 25 of Appendix 1).
- 3.5 In relation to the statement of accounts, the auditors concluded that the Council produced a good set of financial statements and has reduced the time taken to produce its statements this year. The Auditors did not identify any adjustments which impact on the primary statements. However, they did identify some changes to disclosures in the accompanying notes and suggested improvements to the presentation of the statements. The auditors also concluded that the Annual Governance Statement and Narrative Report are consistent with the financial statements.
- 3.6 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.
- 3.7 The auditor has made some recommendations relating to our internal controls, valuation of other land and buildings and 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.

- 3.8 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.

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 within 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 2015-16 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 2015-16 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 but did identify some improvements to disclosure notes, which we amended for the final set of accounts, and made some recommendations on our internal controls.
- 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

2015-16 Statement of Accounts

9. Appendices

Appendix 1 – Draft Audit Findings report 2015-16
Appendix 2 – Letter of Representation