

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

MONDAY 15 SEPTEMBER 2014

REPORT OF HEAD OF FINANCE & RESOURCES

Report prepared by Ellie Dunnet

1. EXTERNAL AUDITOR'S AUDIT FINDINGS REPORT 2013/14

1.1 Issue for Decision

- 1.1.1 To consider the Statement of Accounts for 2013/14 including the External Auditor's Audit Findings Report. This fulfills the requirements of the Accounts & Audit Regulations 2011.

1.2 Recommendation of Head of Finance & Resources

1.2.1 It is recommended that the Members:

a) Approve the External Auditor's Audit Findings Report included at **Appendix A** to this report, specifically:

i) To note the amendments to the draft Statement of Accounts;
and

ii) To agree the response to the proposed recommendations.

b) Approve the 2013/14 Statement of Accounts, as set out at Appendix B.

c) Approve the Letter of Representation as set out at **Appendix C**.

d) Note the overall reduction in the audit fee payable to Grant Thornton.

1.3 Reasons for Recommendation

- 1.3.1 The audited Statement of Accounts is included at **Appendix B** to this report. The amended Accounts & Audit Regulations 2011 require the audited Statement of Accounts to be approved by the Audit Committee by 30 September.

- 1.3.2 The un-audited Statement of Accounts was presented to Members on 14 July 2014. There was no requirement for it to be submitted at that stage, but it was considered useful for Members to receive the draft accounts submitted for audit in advance of formally approving the final version.
- 1.3.3 Councils are required to advertise arrangements for the public inspection of the Statement of Accounts and the date for the commencement of the audit. The public are also to be informed when the audit of accounts is concluded and to have access to copies of the accounts and any auditor's certificate, opinion or report relating to them.
- 1.3.4 Auditing standards require the External Auditor to report the findings of their work to those charged with governance i.e. the Audit Committee. The Audit Findings Report included at **Appendix A** to this report enables the Audit Committee to consider and formally approve Statement of Accounts with the benefit of this information, and also allows the External Auditor to take into account any comments from the Committee prior to issuing his audit opinion.
- 1.3.5 This process involves:
- a) The submission of the Audit Findings Report and Letter of Representation to the Audit Committee.
 - b) Taking into account of any comments by the Audit Committee, the issue by the External Auditor of his audit opinion.
- 1.3.6 All of the above issues must be addressed before 30 September 2014.
- 1.4 Audit Findings Report
- 1.4.1 Grant Thornton were appointed by the Audit Commission as the Council's independent external auditors and the 2013-14 audit was the second year for which this arrangement was in place.
- 1.4.2 The Audit Findings Report is attached at **Appendix A**. Representatives from Grant Thornton will be in attendance at the meeting to present the report and answer any questions Members may have prior to formally approving the Statement of Accounts.
- 1.4.3 Amendments arising from the audit have been summarised on page 15 to **Appendix A**. None of the amendments have affected the Council's general fund balance at 31 March 14. Changes have also been made to improve the presentation and clarity of the Statement of Accounts. Details of these are included at page 16 to **Appendix A**.

- 1.4.4 The report identifies two control deficiencies arising from the financial statements audit and recommendations relating to these matters are set out at page 30 to **Appendix A**. These relate to access controls over the Academy system, and improvements to the process for the reconciliation of this system to the main financial ledger. Officers accept these recommendations and the actions will be implemented as agreed.
- 1.4.5 Two further recommendations have been made in respect of the Value for Money conclusion. The recommendations are in relation to the Council's approach to financial planning and the setting of minimum levels of reserves and have been accepted by officers. Overall the report concludes that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.
- 1.4.6 The Appointed Auditor intends to issue an unqualified opinion on the 2013/14 Statement of Accounts, and an unqualified Value for Money Conclusion.
- 1.4.7 At the date of writing this report, there were a small number of outstanding issues to be addressed. However, it is not anticipated that these will have any impact on the Statement of Accounts or proposed audit opinion.
- 1.4.8 The report also details a minor reduction in the overall fee payable to Grant Thornton arising from a change in requirements for grant claim certification.
- 1.5 Letter of Representation
- 1.5.1 The Letter of Representation attached at **Appendix C** is written from the Council to the External Auditor, and is signed by the Director of Regeneration and Communities.
- 1.5.2 This is provided for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view in accordance with International Financial Reporting Standards.
- 1.5.3 The letter confirms that the Council has fulfilled its responsibilities and provided the External Auditor with access to all information of relevance to the financial statements audit including records, documentation and other matters.
- 1.5.4 The letter also confirms that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. The appropriateness of this statement is evidenced by

the fact that all services have full revenue budget provision for the forthcoming year and the capital programme, asset management plan and medium term financial strategy for 2014/15 onwards consider only service efficiencies and growth in corporate or service objectives.

1.6 Alternative Action and why not Recommended

- 1.6.1 Approval of the Audit Findings Report and Statement of Accounts is a statutory requirement and therefore no alternative action is recommended.

1.7 Impact on Corporate Objectives

- 1.7.1 None.

1.8 Risk Management

- 1.8.1 The external audit process is fundamental to the effective control of risks associated with financial management and accountability. The 2013-14 audit has not identified any significant risks in relation to these areas.
- 1.8.2 The Audit Findings Report details the work undertaken to address the risks identified in the Audit Plan presented to this committee on 14 July 2014. The report identifies a small number of recommendations which have been agreed by officers.

1.9 Other Implications

1.9.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management

X

1.9.2 The Audit Findings Report gives an opinion on the Statement of Accounts which provides a sound historic base upon which current and future financial decisions may be taken.

1.10 Conclusions

1.10.1 An unqualified audit opinion is expected for 2013-14, indicating that, in all material respects, the Statement of Accounts gives a true and fair view of the Council's expenditure and income for the year to 31 March 2014 and of its financial position as at that date.

1.10.2 The External Auditor's Value for Money conclusion is expected to conclude that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

1.11 Relevant Documents

1.11.1 Appendices:

<u>IS THIS A KEY DECISION REPORT?</u>		<u>THIS BOX MUST BE COMPLETED</u>	
Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If yes, this is a Key Decision because:			
.....			
Wards/Parishes affected:			
.....			

Appendix A – External Auditor's Audit Findings Report
Appendix B – Audit Statement of Accounts 2013-14

1.11.2 Background Documents:

None.