

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

16TH SEPTEMBER 2013

REPORT OF HEAD OF FINANCE & RESOURCES

Report prepared by Paul Holland
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1. EXTERNAL AUDITOR'S AUDIT FINDINGS REPORT 2012/13

1.1 Issue for Decision

1.1.1 This report updates Members on the audit of the Statement of Accounts for 2012/13 including the submission of the External Auditor's Audit Findings Report. This fulfils the requirements of the Accounts & Audit Regulations 2011.

1.2 Recommendation of Head of Finance & Resources

1.2.1 That Members approve the Audit Findings Report from the External Auditor, as set out in draft form at **Appendix A**. Members are specifically asked to confirm the following:

- To take note of the amendments to the Statement of Accounts;
- to agree a response to the proposed action plan.

1.2.2 That Members approve the Statement of Accounts as set out at **Appendix B**.

1.2.3 That Members note the contents of the External Auditor's Financial Resilience Report as set out at **Appendix C**.

1.3 Reasons for Recommendation

1.3.1 Under the amended Accounts & Audit Regulations 2011 there is no requirement for the Statement of Accounts to be formally approved by the Audit Committee prior to their submission for external audit. Instead the Statement has to be signed by the Director of Regeneration & Communities by 30th June, and is then subject to external audit. The audited accounts are then required to be

approved by the Audit Committee by 30th September.

- 1.3.2 The un-audited Statement was presented to Members on 12th August 2013. There was no requirement for it be submitted or formally approved at that stage, but it was considered useful for Members to see the Statement at an earlier stage than the Accounts & Audit Regulations require.
- 1.3.3 Authorities are also required to advertise arrangements for the public inspection of the 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 The External Auditor is obliged to report to those charged with governance i.e. the Audit Committee with an Audit Findings Report which will allow the Committee to agree the Accounts, with the benefit of comments from the External Auditor. It will also allow the External Auditor to formally give his opinion on the Accounts with the benefit of any comments from the Committee.
- 1.3.5 The process now involves:-
 - a) The submission to the Audit Committee of the Audit Findings Report;
 - b) Taking into account any comments by the Audit Committee, the issue by the External Auditor of his audit opinion.

All of the above issues must be addressed before 30th September 2013.

1.4 Audit Findings Report

- 1.4.1 The draft Report is attached at **Appendix A**. This is the document that was previously known as the Annual Governance Report. As Members will recall the annual audit has been undertaken for the first time this year by Grant Thornton, who have replaced the Audit Commission as the Council's External Auditors.
- 1.4.2 The Appointed Auditor intends to issue an unqualified opinion on the 2012/13 Statement of Accounts. He is also proposing to give an unqualified Value for Money conclusion.
- 1.4.3 A number of amendments have been made to the draft Statement. These are summarised at **Appendix A** on page 14. These were mainly classification changes which have not had any impact on the bottom lines of the Primary Statements. A number of changes were

also made to the notes to the accounts to improve the clarity and presentation of the Statement.

- 1.4.4 The Report has made two recommendations, which are shown at **Appendix A** on page 24. These relate to the valuation of property assets and officers have agreed to implement them in line with the recommended timescale. The External Auditor had expressed some concerns that the value of those property assets that had not been formally revalued may have materially changed. There was no evidence that this was the case, but it was agreed that it would be helpful to formally address this issue on an annual basis with the Council's valuers.
- 1.4.5 There were no specific recommendations in respect of Value for Money. 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 There are a small number of outstanding issues to be addressed but it is not anticipated that these will have any impact on the Statement and that an unqualified audit opinion will be issued.
- 1.4.7 The report also confirms that no further fees will be payable following the completion of the annual audit.
- 1.5 Financial Resilience Report
 - 1.5.1 The Report is attached at **Appendix C**. This is a new report that considers whether the Council's financial arrangements are sufficient to deal with the current and ongoing economic situation.
 - 1.5.2 The report shown at Appendix C is a draft report, and the External Auditor has advised that this may be subject to some minor amendments. However the Auditor will be in attendance at the meeting and will advise Members if any such amendments are made.
 - 1.5.3 The report raises no major concerns around the financial resilience of the Council. Pages 8 and 9 of the report outlines some key points for the Council to consider, and these will be considered by officers before a formal response is made.
 - 1.5.4 The report concludes that whilst it will be challenging for the Council to achieve the required savings targets in the coming years, the financial arrangements it has in place are sufficiently resilient.

1.6 Alternative Action and why not Recommended

1.6.1 The requirement to approve 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 process of External Audit is fundamental to the effective management of risks associated with financial management issues.

1.9 Other Implications

1.9.1

1. Financial	X
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	

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

1.9.3 Background Documents

None

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

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Wards/Parishes affected:

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