

AUDIT PANEL			
Report Title	2013/14 FINAL ACCOUNTS – LBL’s RESPONSES TO GRANT THORNTON’S EXTERNAL AUDIT REPORTS		
Key Decision	No	Item No.	4
Ward	ALL		
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION		
Class		Date:	11 September 2014

Reasons for Lateness and Urgency

This report was not available for the original dispatch date because the report by Grant Thornton on their findings during the audit of the main accounts had not been agreed with the Director for Resources and Regeneration by that date. The report is urgent and cannot wait until the next meeting of the Audit Panel on 19 November 2014 because the Council has a statutory requirement to approve and publish its audited Statement of Accounts by 30 September each year and as part of the approval process the Audit Panel are required to report their comments to Council.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1 PURPOSE

1.1 The purpose of this report is to respond to the external auditor’s Audit Findings Reports on the audit of the council’s 2013/14 Main Accounts and Pension Fund accounts and Value for Money conclusion. These are attached to the previous item on this agenda, and set out:

“...the key matters and audit findings arising from the 2013/14 audit of the financial statements...whether the accounts present a true and fair view of the financial position and have been properly prepared.....and whether you have put in place proper arrangements to secure value for money in your use of resources.”

1.2 The reports set out any issues arising from the audits that, in the opinion of the external auditor, are of sufficient significance to warrant discussion with Members.

2 EXECUTIVE SUMMARY

2.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts by 30 September each year. The pre-audit 2013/14 Accounts were considered and noted by the Audit Panel on 25 June 2014. Since then Grant Thornton have been carrying out their external audit, and the

final audited 2013/14 Accounts will be submitted to Council for approval on 18 September 2014.

3 RECOMMENDATIONS

- 3.1 The Audit Panel are recommended to note the reports from Grant Thornton and this covering officer report, to ask questions as appropriate and to agree the comments that they wish to be relayed to Council.

4 POLICY CONTEXT

- 4.1 Completing the audit of the council's accounts and receiving the auditor's report thereon contributes directly to the council's tenth corporate priority:
- **Inspiring efficiency, effectiveness and equity:** ensuring efficiency and equity in the delivery of excellent services to meet the needs of the community.

5 AUDIT OF ACCOUNTS

- 5.1 Since the pre-audit Accounts were completed at the end of June 2014, they have been subject to extensive external audit by Grant Thornton and a number of changes have been agreed. At the time this report was dispatched, the audit was substantially complete and Grant Thornton report that subject to completing their outstanding work they anticipate providing an unqualified opinion on the financial statements and that they propose to give an unqualified value for money conclusion. Grant Thornton will give a verbal update at the meeting and, along with senior council officers, will answer any questions as required.
- 5.2 Grant Thornton have raised a few matters for Members to consider and it is important to note that these mainly relate to detailed disclosure requirements.
- 5.4 The external auditor requests that Members:
- Note the adjustments to the financial statements in the report
 - Approve the letter of representation on behalf of the council
 - Agree the response to the proposed action plan (Appendix A).
- 5.5 Under the council's constitution these matters are for Council to determine. At Council on 18 September 2014 Members will be recommended to note the Audit Findings reports and approve the audited Statement of Accounts. Any comments of the Audit Panel arising from this meeting will be reported to Council,

6 AUDIT FINDINGS

- 6.1 The external auditors have reported that overall the draft 2013/14 financial statements were of good quality and the working papers provided supported the entries in the accounts.
- 6.2 During the audit a number of misstatements and classification errors were identified and amendments to the Accounts agreed with the auditors. None of these affect the reported financial position shown in the Accounts and they do not affect the charge to the Council Tax or Housing Rents. The changes are mainly presentational and ensure that the Council complies with the technical accounting regulations.

6.3 Grant Thornton have identified a few issues which the Council has agreed to improve and a number of errors in the accounts which the Council has agreed to amend for. The major areas are as follows;

- The quality and timeliness of the Council's asset valuation process and the associated accounting arrangements need to be improved.
- The valuation of Council dwellings was undertaken as at 1 April 2013. Due to a significant increase in property values during the year, an adjustment of £163m has been made to the assets value.
- A amended school valuation of £18.8m was received too late to be included in the draft accounts. A number of other smaller amendments have also been made following the late receipt of valuations.
- Expenditure of £8.6m included in Assets under Construction should have been written off to revenue when the assets were brought into use.
- The Council's outstanding PFI liability of £241m was understated by £12m due to the omission of the liability for Drumbeat Special School.
- Two cash investments with a value of £45m were incorrectly classified as call accounts and were accounted for as Cash Equivalents instead of Short Term Investments.
- The notional income of £24.1m from the Glass Mill Leisure Centre was incorrectly classified within the Comprehensive Income and Expenditure Statement. It should have been include in the recognised grants and contributions line instead of the income from cultural services line.
- The detailed reconciliation of payroll and bank accounts was judged to be acceptable and no errors were found in the accounts, however the timeliness and regularity need to be improved. Overall reconciliations will be implemented for payroll and will be improved for the bank accounts.

6.4 The Action Plan at Appendix A has a number of recommendations in it which have all been agreed with Grant Thornton.

6.5 Overall the report indicates a reasonable system of financial control and the robustness of financial information throughout the organisation.

7 ANNUAL GOVERNANCE STATEMENT

7.1 This document has been slightly updated from that considered at the Audit Panel on 25 June 2014 to reflect the completion of a few items. It is will be submitted to Council on 18 September 2014 for approval.

8 FINANCIAL IMPLICATIONS

8.1 There are no direct financial implications resulting from this report.

8.2 The cost of external audit services for 2013/14 was £292,000, including the cost of the audit of the main accounts and the certification of grant claims. The cost of the Pension Fund audit was £21,000.

9 LEGAL IMPLICATIONS

9.1 Regulation 8 of the Accounts and Audit (England) Regulations 2011 requires authorities to publish its Statement of Accounts after the external audit is concluded no later than 30 September. The approval of the audited Statement

of Accounts by Council on 18 September 2014 will satisfy this statutory requirement.

- 9.2 It is the role of the Audit Panel to receive, review and where appropriate advise and make recommendations to the Council in relation to the external auditor's opinion and report to Members, and to monitor management action in response to issues raised by external audit.

10 EQUALITIES IMPLICATIONS

- 10.1 There are no equalities implications in this report.

11 CONSULTATION

- 11.1 Sections 15 and 16 of the Audit Commission Act 1998 give electors the right to question the auditor or object to the Accounts. The Accounts are required to be available for public inspection for 20 working days prior to the conclusion of the audit and an advertisement placed in the local press to publicise this fact. This public inspection period ended on the 18 August 2014, which was also the day electors were able to question the auditor. No questions were received by the External Auditor on this day. It is also a requirement that notice of conclusion of the audit is advertised in the local press.

12 ENVIRONMENTAL IMPLICATIONS

- 12.1 There are no environmental implications in this report.

13 CRIME AND DISORDER IMPLICATIONS

- 13.1 There are no crime and disorder implications arising from this report.

14 BACKGROUND PAPERS

None

For further information on this report please contact:

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