

AUDIT PANEL			
Report Title	EXTERNAL AUDITOR'S REPORTS ON THE 2012/13 ACCOUNTS		
Key Decision	No	Item No.	4
Ward	ALL		
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION		
Class	Part 1	Date:	12 September 2013

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 2012/13 main accounts and Pension Fund accounts. These are attached to the previous item on this agenda, and set out:

"...the key matters and audit findings arising from the 2012/13 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 30th September each year. The pre-audit 2012/13 Accounts were considered and noted by the Audit Panel on 18th June 2013. Since then Grant Thornton have been carrying out their external audit, and the final audited 2012/13 Accounts will be submitted to Council for approval on 19th September 2013.

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 2013, 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 19th September 2013 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 Overall, the audit has reported that the draft 2012/13 financial statements were of good quality and working papers provided supported the entries in the accounts.
- 6.2 During the audit a small number of errors were identified and amendments to the Accounts agreed with the auditors. None of these are material to the financial position shown in the Accounts and they do not affect the charge to the Council Tax. The changes are mainly presentational and ensure that the Council complies with the technical accounting regulations.
- 6.3 Grant Thornton have reviewed the accounting treatment of the guarantee provided by the Council to Lewisham Homes regarding pension costs. This issue has been the subject of discussion over the last few years with the previous external auditors. We have slightly amended our accounting treatment and Grant Thornton concur with this change.
- 6.4 Grant Thornton have identified a number of errors which the Council has agreed to amend for, the major ones being as follows;
- On the Balance Sheet, a short term loan of £3.7m was wrongly classified as a long term loan.
 - Amendments to the Lease note (note 34) have been made to the future commitments of the Council as lessor of £5.3m and lessee of £3m.
 - A misclassification of downward revaluations as impairments in the Non Current Assets note (note 9b), this has no affect on the Balance Sheet.
 - An amendment to the PFI Movement in Assets note (note 35c) to include all of the new assets which have been brought onto the Balance Sheet following practical completion.
- 6.5 The Action Plan at Appendix A has a number of recommendations in it which have been agreed with Grant Thornton.
- 6.6 Overall the small number of changes required to the 2012/13 Accounts indicates a good 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 18th June 2013 to reflect the completion of a few items. It will be submitted to Council on 19th September 2013 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 2012/13 was £333,800, including the cost of the audit of the main accounts, the certification of grant claims and returns and other external audit services. The Pension Fund audit cost 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 19 September 2013 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 19 August 2013, 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:

Conrad Hall, Head of Business Management and Service Support
Richard Lambeth, Group Finance Manager – Accounting and Capital