

AUDIT PANEL			
Report Title	2014/15 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:	17 September 2015

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 Executive Director for Resources and Regeneration by that date. The report is urgent and cannot wait until the next meeting of the Audit Panel on 8 December 2015 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 2014/15 audit of the Council’s Main Accounts and Value for Money conclusion, and the 2014/15 Pension Fund Accounts. These are attached to the previous item on this agenda, and contain:

“...the key matters and audit findings arising from the 2014/15 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 informing and discussing 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 2014/15 Accounts were considered and noted by the Audit Panel on 18 June 2015.

Since then Grant Thornton have been carrying out their external audit, and the final audited 2014/15 Accounts will be submitted to Council for approval on 24 September 2015.

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 external audit of the council's accounts and receiving the external 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 2015, 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 audits were substantially complete and Grant Thornton report that subject to the satisfactory completion of their outstanding work they anticipate providing unqualified opinions on the financial statements and that they propose to give an unqualified value for money conclusion. Grant Thornton will give a verbal update on progress at the meeting and, along with senior council officers, will answer any questions as required.
- 5.2 The external auditor requests that Members:
- Note the adjustments to the financial statements in the reports
 - Approve the letters of representation on behalf of the Council
 - Agree the response to the proposed action plan (Appendix A).
- 5.3 Under the council's constitution these matters are for the Council to determine. At full Council on 24 September 2015, Members will be invited to consider any comments from this meeting and recommended to note the Audit Findings reports and approve the audited Statement of Accounts.

6 AUDIT FINDINGS

- 6.1 Grant Thornton have reported that the draft 2014/15 financial statements were of good quality and have confirmed that the working papers provided support the entries in the accounts. Overall the reports indicate a reasonable system of financial control and the robustness of financial information throughout the organisation.
- 6.2 They have raised a few matters for Members to consider and it is important to note that these mainly relate to presentational or additional disclosures and ensure that the Council complies with the technical accounting regulations.

6.3 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 positions shown in the accounts and they do not affect the charge to the Council Tax or Housing Rents for the year.

6.4 The main areas to note from the Main Accounts audit report are as follows;

- The key issues are outlined on page 5, with the most significant one being the accounting treatment of the derecognition of schools (see page 12). Officers have agreed to make a Prior Period Adjustment in the accounts.
- The detailed reconciliation of payroll and bank accounts was satisfactory and no errors were found, however these should be undertaken on a monthly basis (page 16). This has now been implemented for 2015/16.
- A review of the Council's IT controls is outlined on page 17, and recommendations have been made in a detailed report to officers.
- Two misclassifications which affect the Comprehensive Income and Expenditure Statement and Balance Sheet are outlined on page 18. These have been agreed by officers and amendments have been made.
- A number of other misclassifications and disclosure changes which affect the notes to the accounts but not the main statements are outlined on page 20. These have all been agreed by officers and amendments have been made.
- A number of these errors relate to capital accounting and the valuation process, albeit fewer than last year, and Grant Thornton have recommended that arrangements need to be improved in this area. Officers have already taken some action and will review other areas as appropriate.
- The Value for Money conclusion is summarised on pages 22 and 23, with the detail being set out on pages 24 to 31.
- The Action Plan (Appendix A on page 37) contains a number of recommendations which have all been agreed with Grant Thornton.

6.5 The major areas from the Pension Fund accounts audit report are as follows;

- The key issues are set out on page 6 with only a few misclassifications and disclosure changes being identified. These are outlined on page 16 and have all been agreed by officers and amendments made.
- No recommendations have been made in respect of the audit of the Pension Fund accounts.

7 ANNUAL GOVERNANCE STATEMENT

7.1 This document has been slightly updated from that considered at the Audit Panel on 18 June 2015 to reflect the comments of the external auditors. It will be submitted to Council on 24 September 2015 for approval.

8 FINANCIAL IMPLICATIONS

- 8.1 There are no direct financial implications resulting from this report.
- 8.2 The cost of the external audit of the main accounts for 2014/15 was £255,000, with an estimated £40,000 for the certification of grant claims. The Pension Fund external 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 24 September 2015 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 20 August 2015, which was also the day electors were able to question the auditor. It is also a requirement that notice of the 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

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