

Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 20th September 2013

**Subject: Audited Statement of Accounts and the Value for Money Assessment
2012/13**

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| Are specific electoral Wards affected? If relevant, name(s) of Ward(s): | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Are there implications for equality and diversity and cohesion and integration? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Is the decision eligible for Call-In? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Summary of main issues

1. KPMG have issued their audit report to this Committee (see attached). The report provides:
 - an unqualified opinion on the 2012/13 Statement of Accounts;
 - confirms that audit has identified no significant adjustments;
 - a view that the Annual Governance Statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.
 - a value for money (VFM) conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
2. To date the Council has identified one post balance sheet event. This event relates to a provisional agreement to settle a contractual dispute within the Housing Revenue Account. The resulting provision is to be funded from an earmarked reserve.
3. The accounts have been certified by the Responsible Finance Officer as a true and fair view of the Council's financial position as at 31st March 2012.

Recommendations

4. Members are asked to receive the report of the Council's external auditors on the 2012/13 accounts and to note that there are no audit amendments required to the Accounts.
5. Members are asked to approve the final audited 2012/13 Statement of Accounts and the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
6. On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
7. Note KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

1 Purpose of this report

- 1.1 This Committee agreed to release the unaudited 2012/13 Statement of Accounts for public inspection on the 10th July 2013. Under this Committee's terms of reference, members are now required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

2 Background information

- 2.1 Under the Accounts and Audit (England) Regulations 2011, the Council's statutory finance officer, the Director of Resources, has certified that the Statement of Accounts presents a true and fair view of the financial position of the Council. On completion of the Audit, the regulations also require that the accounts are approved by resolution of a Committee and published, together with the auditor's opinion and report.

3 Main issues

3.1 Key External Audit Findings

3.1.1 Audit Opinion

KPMG have determined that the 2012/13 accounts give a true and fair view of the Council's financial position and they are therefore proposing to issue an unqualified audit opinion.

3.1.2 Audit Differences

On conclusion of the audit, KPMG identified no significant audit difference which required amendment to the accounts.

3.1.3 Audit Risks

KPMG's Financial Statements Audit Plan, as reported to this Committee on the 19th March 2013, identified one main area of risk in compiling the financial statements for 2012/13, Namely the Council's ability to meet the required savings target for the year. KPMG's audit report recognises that this risk has been addressed.

3.1.4 Audit recommendations

The audit report identifies three recommendations (see Appendix 1 of KPMG's report). All three relate to minor ICT control issues which have no significant impact on the accounts. All three are being addressed by management. There are no outstanding recommendations from previous years which require further Council action.

3.1.5 Use of Resources

KPMG are required to report to those charged with governance, any governance issues identified when discharging their statutory audit responsibilities. They have therefore included in their report an update on the Council's arrangements to secure value for money in its use of resources.

KPMG have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

3.1.6 Review of the Annual Governance Statement

KPMG have confirmed that, in their opinion, the statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

3.2 Post Balance Sheet Events

3.2.1 Under proper accounting practice the Council is required to consider any post balance sheet events which, if known at the time of the accounts being produced, would have significantly altered the Council's financial statements. If such events have occurred then the Council is required to amend the accounts if the cumulative value of the events would have a material impact on the Council's financial statements. Such events must be considered up until this Committee approves the final accounts and the auditors provide their audit certificate.

3.2.2 As at the 20th September there has been one such events, whereby the Council has reached a provisional agreement to pay £2m for works completed in respect of the Housing Revenue Account. As the payment is still subject to final agreement the Council has created a £2m provision which has been fully funded from earmarked reserves.

- 3.2.3 As outlined in para 3.2.1 above, any post balance sheet events must be considered up until the accounts are approved. As such a verbal update will be provided at Committee to confirm the final position.

3.3 Public Inspection Queries

- 3.3.1 Under the statutory timescales for public inspection of the accounts, the Council has had a number of enquiries requesting information in respect of PFI schemes; City Centre Management; the Trinity development and Kirkgate Market. Under statute, stakeholders have the right to question the auditors and request either an amendment to the accounts or the issuing of a public inspection report. As of the 20th September no questions have been raised to the auditors on these or any other issues.

3.4 Management Representation letter

- 3.4.1 The auditors are required by the Audit Commission's Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. The management representation letter is designed to give audit such assurances. In respect of the 2012/13 accounts the letter is contained in the attached KPMG report as appendix 3. After consultation with appropriate officers, the Director of Resources has signed to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter.
- 3.4.2 The Committee is asked to consider whether members are aware of any issues they want to bring to the auditors attention in respect of the matters addressed in the management representation letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 As this is a factual report based on past financial performance no public, Ward Member or Councillor consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 As this is a factual report based on past financial performance there are no direct implications for equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

- 4.3.1 As this is a factual report based on past financial performance there are no direct implications for Council policies or City priorities.

4.4 Resources and value for money

- 4.4.1 KPMG's report includes an audit opinion on whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Accounts and Audit (England) Regulations 2011 require the audited Statement of Accounts to be published before the 30th September. Under this Committees

terms of reference, members are required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

- 4.5.2 As this is a factual report based on past financial information none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

- 4.6.1 External Audit identified three minor risks in their recommendations and officers have established new procedures and controls to mitigate these risks.

5 Conclusions

- 5.1 The external audit report provides the following assurances to members:
- An unqualified opinion on the 2012/13 Statement of accounts.
 - A value for money conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
 - Confirmation that in the auditor's opinion the Council's Annual Governance Statement complies with the CIPFA/SOLACE framework.
- 5.2 External Audit have made three recommendation in respect of minor ICT controls. The Council has put in place arrangements to comply with these recommendations.
- 5.3 As at the 20th September 2012 there has been one significant post balance sheet events identified. The 2012/13 accounts have been adjusted accordingly.
- 5.4 To date there are no public inspection queries which have require amendments to the accounts.

6 Recommendations

- 6.1 Members are asked to receive the report of the Council's external auditors on the 2012/13 accounts and to note that there are no audit amendments required to the Accounts.
- 6.2 Members are asked to approve the final audited 2012/13 Statement of Accounts and the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- 6.3 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- 6.4 Note KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

7 Background documents¹

- 7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.