

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th September 2015

Subject: Audited Statement of Accounts and KPMG Audit Report

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 completed their audit of the final accounts, and the report of their findings is attached. The main points are that :
 - KPMG anticipate being able to issue an unqualified opinion on the 2014/15 Statement of Accounts;
 - There are no unadjusted audit differences affecting the financial statements;
 - The review of the Annual Governance Statement has concluded that it is not misleading or inconsistent with information they are aware of from their audit of the financial statements;
 - The review of value for money arrangements has concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
2. A post balance sheet event has been recognised to increase the level of the provision for appeals against business rates valuations by £23.9m
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 2015.

Recommendations

4. Members are asked to receive the report of the Council's external auditors on the 2014/15 accounts and to note that there are no audit amendments required to the Accounts.

5. Members are asked to approve the final audited 2014/15 Statement of Accounts and the Chair is asked 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 the assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
7. Members are asked to 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 At its previous meeting in July, the Committee agreed to release the unaudited 2014/15 Statement of Accounts for public inspection. Under this Committee's terms of reference, members are now required to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.

2 Background information

- 2.1 In accordance with the Accounts and Audit (England) Regulations 2011, the Council's Responsible Financial Officer, the Deputy Chief Executive, 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 2014/15 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 unadjusted audit differences which required amendment to the accounts.

3.1.3 Audit Risks

KPMG's Financial Statements Audit Plan, as reported to this Committee on the 28th January 2015, identified two main areas of risk in compiling the financial statements for 2014/15. These were the valuation of property, plant and equipment, and the valuation of the Council's pensions liabilities. KPMG have now audited these areas and have concluded that property, plant and equipment has

not been materially misstated, and that the estimate of pension liabilities is reasonable.

3.1.4 Audit recommendations

The audit report identifies three recommendations, all with level 3 priority (the lowest priority). These are given in Appendix 3 of KPMG's report, along with the responses from council officers and the proposed timetables for action. 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 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 and other significant amendments

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 10th September the council has identified one post balance sheet event which is sufficiently material to require an adjustment to be made to the final accounts. The draft accounts included a provision of £17.6m in respect of appeals against business rates valuations. Based on the latest data available from the Valuation Office, the council now estimates that the provision should be increased by £23.9m to £41.5m. The worsening position is due to a combination of factors. Since the provision was originally calculated, further appeals have been received, and the success rate of existing appeals which have been resolved has been higher than expected, leading the council to revise its provision in respect of existing appeals. In addition, the Valuation Office has made a significant number of downward revisions to valuations on their own initiative. The council does not receive any advance notification of potential revaluations for reasons other than appeals by ratepayers.

3.2.3 As a result of the worsening of the position on business rates for the year, the council is no longer required to pay a levy for 2014/15. The accrual for this payment has therefore been taken out, and the amount (£0.9m) has instead been added to reserves.

3.2.4 In addition, the council has made two significant amendments to the accounts since the draft accounts were presented to the committee in July :

- The draft accounts showed a revised opening balance sheet as at 1st April 2013 which included the recognition of £235m schools which are now deemed to be assets of their governing bodies. This position has been further adjusted to de-recognise six voluntary controlled schools valued at £11m which were previously held on the council's balance sheet. Under the new accounting rules, these are deemed to be assets of their voluntary sector sponsors. The revised increase in the opening value of assets at 1st April 2013 is therefore £224m.
- Officers have reviewed the revaluations of fixed assets over the summer and identified corrections which increase the value of the council's assets by £4.9m.

3.2.5 As outlined in para 3.2.1 above, any post balance sheet events must be considered up until the accounts are approved. 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 one enquiry requesting information in respect of PFI schemes. 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 at the writing of this report, 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 2014/15 accounts the letter is attached as **Appendix A** to this report. After consultation with appropriate officers, the Deputy Chief Executive has signed to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter.

3.2.6 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 The interim audit report does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and Best Council Plan

4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts.

4.4 Resources and value for money

4.4.1 KPMG's report includes their opinion as to 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 Committee's 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 KPMG have not identified any significant risks in their recommendations.

5 Conclusions

5.1 The external audit report provides the following assurances to members :

- An unqualified opinion on the 2014/15 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 is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

5.2 There are no high priority recommendations raised by KPMG.

5.3 A post balance sheet event has been recognised to increase the level of the provision for appeals against business rates valuations by £23.9m.

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 2014/15 accounts and to note that there are no audit amendments required to the accounts.
- 6.2 Members are asked to approve the final audited 2014/15 Statement of Accounts and the Chair is asked 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 Members are asked to 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.