

AUDIT COMMITTEE

29 JULY 2019

REPORT OF DEPUTY CHIEF EXECUTIVE

A.3 EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT FOR THE YEAR ENDED 31 MARCH 2019

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
<p>To present:</p> <ul style="list-style-type: none">• The Annual Governance Statement 2018/19 for approval.• The External Auditor's Audit Completion Report for the year ended 31 March 2019, which includes the management representation letter, for consideration and approval, to enable a final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor.• The Statement of Accounts 2018/19 for consideration and approval for publication by the end of July 2019

EXECUTIVE SUMMARY
<ul style="list-style-type: none">• At the time of finalising this report for printing, the External Auditor had substantially completed the audit of the 2018/19 accounts with their associated Audit Completion Report attached, which includes a management representation letter for approval by the Committee.• The External Auditor anticipates issuing an unmodified audit opinion on the Council's financial statements and use of resources as set out on page 4 of their report. It is important to highlight that they have yet to complete some elements of their work which could still impact on this position. If changes to this position are required then it will be reported directly at the meeting of the Committee.• There was one unadjusted audit difference relating to pensions, with the details set out on pages 17 and 18 of the External Auditor's report. There would be no impact on the general fund balance for the year.• A change to the accounts was required also due to pensions with details set out on pages 19 and 20 of the External Auditor's report. There was no impact on the general fund balance for the year.• The Council's audited Statement of Accounts for 2018/19, which reflect the amendments identified to date, are attached. Subject to the approval of the Audit Committee, the Statement of Accounts are required to be published by the end of July 2019.

- One recommendation has been made by the External Auditor which is set out on page 27 of their report. This is in respect of related party transactions and their recommendation will be reviewed for implementing in readiness for the preparation of next year's Statement of Accounts.
- At the time of finalising this report for printing, there were a limited number of outstanding actions to be completed by the External Auditor which are set out on page 35 of the External Auditor's report. Therefore it is possible that further amendments to the accounts and / or management representation letter may be required. If this is the case then any changes will either form part of an addendum report published in advance of the meeting or reported directly at the meeting of the Committee. It is also possible that amendments may be required after the date of the meeting of the Committee if the External Auditor remains in the process of finalising their work. A recommendation is therefore included below that seeks a delegation to the Head of Finance, Revenues and Benefits in consultation with the Chairman or Vice Chairman of the Committee to make any necessary amendments to the accounts and / or management representation letter before they are finalised.
- Following the review process that forms part of the External Auditor's work, the Annual Governance Statement 2018/19 that was previously agreed by the Council's Management Team in May 2019, has been subject to amendment to include the final opinion of the Acting Audit and Governance Manager. The final version for publication is attached as **Appendix A** for consideration by the Committee.

RECOMMENDATIONS

1. That in respect of the External Auditor's Audit Completion Report for the year ended 31 March 2019, the Audit Committee:

- (a) Considers and notes the contents of the report including the adjustments to the Statement of Accounts as set out on pages 19 to 20 of their report;**
- (b) subject to (a) above, approves the management representation letter set out as Appendix D (Pages 37 to 39) to the External Auditor's Audit Completion Report;**
- (c) subject to (b) above, authorises the Head of Finance, Revenues and Benefits and Audit Committee Chairman or Vice Chairman to sign the management representation letter for forwarding to the External Auditor;**
- (d) subject to (b) and (c) above, approves for publication the audited Statement of Accounts for 2018/19, amended for the adjusted items identified; and**
- (e) approves a delegation to the Head of Finance, Revenues and Benefits in consultation with the Chairman or Vice Chairman of the Audit Committee to make amendments to the management representation letter for forwarding onto the External Auditor and / or Statement of Accounts 2018/19 before publication, if further changes are recommended by the External Auditor following the completion of the outstanding areas of their work.**

2. That in respect of the Council's Annual Governance Statement 2018/19, the Audit Committee:

(a) Approves the revised Annual Governance Statement set out in Appendix A; and

(b) authorises, subject to 2(a) above, the Chief Executive and Leader of the Council to sign the Annual Governance Statement set out in Appendix A.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity and ability to deliver against its objectives and priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting these key objectives. The outturn position and associated Statement of Accounts reflects this process and supports the successful financial planning process which includes communicating and consulting with relevant stakeholders.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

There are no direct financial implications with the audit expected to be completed within existing budgets. The actual fee is therefore anticipated to be broadly in-line with the planned fee for the year with further details set out on page 30 of the Audit Completion Report attached.

Risk

The preparation, reporting and publishing of the Statement of Accounts follows a relatively tight timescale with various milestones along the way. Against this backdrop, the production of the accounts is required to be completed to the necessary standards and deadlines with the aim of preventing any significant issues arising from the audit process.

LEGAL

The Statement of Accounts 2018/19 are prepared within the framework set out in the Local Audit and Accountability Act 2014 and associated regulations, the primary ones being the latest Accounts and Audit Regulations.

The closure of accounts process, the preparation of the Statement of Accounts and their subsequent audit, along with the arrangements to secure value for money, reflect the requirements and responsibilities of the Council.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications from this report. However in respect of equality and

diversity, the Council ensures that the Statement of Accounts and associated governance reports are accessible to all by advertising their availability and publishing them electronically on the Council's website.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The pre-audited Statement of Accounts for 2018/19 were approved for publication by the Council's S151 Officer (Head of Finance, Revenues and Benefits) at the end of May 2019.

The pre-audited Annual Governance Statement 2018/19 was approved for publication by the Council's Management Team at the end of May 2019.

Each year the Council's External Auditors are required to prepare an annual report setting out the outcomes from their review of the Statement of Accounts (including the Annual Governance Statement) and the Council's value for money arrangements. The Audit Committee is required to consider the content of this annual report and approve for publication the final audited Statement of Accounts and Annual Governance Statement.

A draft management representation letter which sets out certain management representations is included as **Appendix D** (pages 37 to 39) to the External Auditor's Audit Completion Report attached. The Audit Committee are also required to separately approve this letter and authorise the Head of Finance, Revenues and Benefits and Audit Committee Chairman or Vice Chairman to sign it before it is forwarded onto the External Auditor.

Once the above tasks are completed the External Auditor can conclude the audit by finalising and formally issuing their audit opinion along with the certification of the accounts.

AUDIT COMPLETION REPORT FOR THE YEAR ENDED 31 MARCH 2019

The auditors have issued their Audit Completion Report for the year ended 31 March 2019, a copy of which is attached. Although the External Auditor's work is nearing completion a small number of activities remain outstanding as set out on page 35 of the External Auditor's Audit Completion Report. However the External Auditor currently plans on issuing an unmodified audit opinion in respect of the Financial Statements and on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Following the external audit work completed to date, one adjustments has been required with further details set out on pages 19 to 20 of the Audit Completion Report. There has also been an unadjusted item as set out on pages 17 and 18 of the Audit Completion Report. Both issues were outside of the Council's control as they relate to pension fund adjustments. It is however important to highlight that these items do not have a direct impact on the overall 2018/19 financial position of the Council.

In respect of other matters arising, the External Auditor has made a recommendation regarding the collation / declaration of related party transaction information involving members. Further details along with an associated recommendation are set out on page 27 of their Audit Completion report. This will be reviewed for implementing as part the Statement of Accounts process for 2019/20 which will be undertaken at the end of the

current financial year.

To conclude the Statement of Accounts process for 2018/19, the Audit Committee is required to consider the Audit Completion Report for the year ending 31 March 2019, approve the management representation letter and approve the final Statement of Accounts for 2018/19, which includes the adjustment mentioned earlier in this report. Therefore subject to the agreement of the recommendations above, the final Statement of Accounts for 2018/19 will be published by the end of July 2019 deadline.

The External Auditor will be in attendance at the meeting to formally present their Audit Completion Report to the Audit Committee.

As previously highlighted, the work of the External Auditor remains in progress with a small number of actions outstanding. Therefore further issues may emerge and subject to their timing, will be reported via an addendum report published before the meeting or directly at the meeting. Further changes may be required after the date of the Committee, with a delegation to the Head of Finance, Revenues and Benefits in consultation with the Chairman or Vice Chairman of the Committee included in the recommendations above to enable these to be reflected in the final management representation letter and / or the Statement of Accounts before publishing.

ANNUAL GOVERNANCE STATEMENT 2018/19

The Annual Governance Statement 2018/2019 has been revised to include the final opinion of the Acting Audit and Governance Manager. **Appendix A** sets out the revised Annual Governance Statement 2018/19.

The Annual Governance Statement is presented to the Committee for consideration and approval along with seeking the necessary agreement to the Chief Executive and the Leader to sign it, which has been reflected in the recommendations above.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A Annual Governance Statement 2018/19

Attachment 1 External Auditor's Audit Completion Report: Year ended 31 March 2019 (Including the Letter of Representation set out on pages 37 to 39)

Attachment 2 The Council's Statement of Accounts 2018/19 for Publication (subject to further changes that may be identified following the completion of the outstanding areas of work by the External Auditor)