

## **AUDIT COMMITTEE**

**10 JANUARY 2017**

### **ANNUAL AUDIT LETTER 2015/16**

Report from: Phil Watts, Chief Finance Officer

Author: Jonathan Lloyd, Principal Accountant

#### **Summary**

This report and attachment reflects the work carried out by BDO, our external auditors, in respect of the 2015/16 financial year.

#### **1. Budget and Policy Framework**

1.1 The receipt of the Annual Audit Letter is a matter for the Audit Committee.

#### **2. Annual Audit Letter 2015/16**

2.1 Independent external auditors are responsible for preparing an annual audit letter for all councils. The letter is designed to communicate their key messages and conclusions to the council and external stakeholders, including members of the public.

2.2 The annual audit letter for 2015/16, produced by BDO, is attached as Appendix 1 to this report. The letter summarises the key issues arising from the work BDO have carried out during the year ending 31 March 2016 and relates to their responsibilities in both finance and governance matters.

2.3 Set out below is an overview of the key findings contained within the 2015/2016 Annual Audit Letter:

##### **2.3.1 Statement of Accounts**

- An unqualified true and fair opinion was given on the financial statements for the year, which were properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the accounts were published in accordance with the 30 September 2016 deadline.
- BDO found no material misstatements, one material misclassification and also required a number of amendments that the Council corrected. There were also two unadjusted audit differences and these are detailed in the appendix.

- The auditors noted that the Council had significantly improved the process for producing the accounts and the quality of the statements and working papers.

### 2.3.2 Use of Resources (Value for Money)

- BDO issued an unqualified value for money conclusion.
- Although BDO recognised a funding gap in the Medium Term Financial Strategy (MTFS), they were satisfied that the Council is taking appropriate action and had has appropriate arrangements to continue to remain sustainable over the period of the MTFS.

### 2.3.3 Exercise of Statutory Powers

- The Auditors received an objection to the accounts relating to borrowing in the form of Lender Option Borrower Option loans (LOBOs).
- After BDO had carried out an investigation and the Council had added a contingent liability note the Auditors were able to provide an opinion on the financial statements.
- An audit certificate has yet to be issued pending conclusion of BDO's work on the objection.

### 2.3.4 Other Matters

- BDO were satisfied that the Annual Governance Statement was not misleading or inconsistent with other information they were aware of from their audit.
- The audit of the Whole of Government Accounts return and the audit of grant claims and other Government returns was progressing and would be reported separately.

2.4 BDO's detailed findings and recommendations were also reported to the Audit Committee on 29 September 2016 within the Annual Governance Report.

## **3. Financial and Legal Implications**

3.1 There are no legal and financial implications arising from this report.

## **4. Risk Management**

4.1 As the majority of the issues identified within the Audit Letter relate to activities of the Council during 2015/16 no risks are identified. However, value for money is one of the two core values for the Council and, in an ever more demanding financial environment, is of prime importance in ensuring that service delivery remains as effective as the letter portrays.

## **5. Recommendation**

5.1 The Audit Committee note the content of the Annual Audit Letter for 2015/16.

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**Appendices:**

Appendix 1 – Annual Audit Letter 2015/16

**Background papers**

Annual Governance Report to Audit Committee 29 September 2016  
<https://democracy.medway.gov.uk/mgConvert2PDF.aspx?ID=3442&T=10>