

AUDIT COMMITTEE

9 JANUARY 2018

ANNUAL AUDIT LETTER 2016/17

Report from: Phil Watts, Chief Finance Officer

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Summary

This report and attachment reflects the work carried out by BDO, our external auditors, in respect of the 2016/17 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 2016/17

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 2016/17, 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 2017 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 2016/2017 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 2016/17 and the accounts were published in accordance with the 30 September 2017 deadline.
- BDO found that expenditure on two academies had been incorrectly treated and required a prior year adjustment to be made.
- A number of errors to Officers Remuneration were corrected.

- Five immaterial misstatements were found and corrected.
- Four audit differences were found but not corrected which would have increased net assets and decreased the deficit on provision of services by £2.7m. The auditors did not consider these differences to impact materially on their opinion in the financial statements.

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 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 2015/16 accounts relating to borrowing in the form of Lender Option Borrower Option loans (LOBOs).
- Work is continuing on the objection however BDO are satisfied that the matters do not have a material effect on the financial statements or on their value for money conclusion.
- Nevertheless 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 was progressing and near completion at the time BDO's report was prepared but has since been completed satisfactorily.

2.5 BDO's detailed findings and recommendations were also reported to the Audit Committee on 28 September 2017 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 2016/17 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 2016/17.

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Appendices:

Appendix 1 – Annual Audit Letter 2016/17

Background papers

Annual Governance Report to Audit Committee 28 September 2017
<https://democracy.medway.gov.uk/mgConvert2Pdf.aspx?ID=11030&T=9>