

AUDIT COMMITTEE

8 JANUARY 2019

ANNUAL AUDIT LETTER 2017/18

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 2017/18 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 2017/18

- 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 2017/18, 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 2018 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 2017/2018 Annual Audit Letter:
- 2.3.1 Statement of Accounts:
- An unmodified 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 2017/18 and the accounts were published in accordance with the 30 September 2018 deadline.
 - BDO found errors in property valuations resulting in 3 properties being undervalued by 2 overstated. The net error was an understatement of £3.2m. The financial statements were amended accordingly.

2.3.2 Use of Resources (Value for Money):

- BDO issued an unmodified value for money conclusion.
- A significant decrease in reserves over recent years was noted. BDO also recognised a funding gap in the Medium Term Financial Strategy (MTFS) but they were satisfied that the Council is taking appropriate action, and 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 2015/16 accounts relating to borrowing in the form of Lender Option Borrower Option loans (LOBOs).
- BDO has completed substantially their work on the objection and will respond in due course. However, they 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 and a formal response to the objector.

2.4 BDO's detailed findings and recommendations were also reported to the Audit Committee on 30 July 2018 within the Audit Completion 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 Committee is asked to note the content of the Annual Audit Letter for 2017/18.

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Appendices:

Appendix 1 – Annual Audit Letter 31 August 2018

Background papers

Audit Completion Report - Audit Committee 30 July 2018 (agenda item no. 5)

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