

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 11th December 2014

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WARD(S): All

PART I **FOR COMMENT AND CONSIDERATION**

2013-14 Financial Statements

1 Purpose of Report

To provide members of the Audit & Risk Committee with an overview of the closedown process for the 2013-14 financial year, highlighting the issues identified by BDO (our external auditors) during the audit of the statements and the solutions implemented.

2 Recommendation(s)/Proposed Action

Members are invited to note the report.

3 The Sustainable Community Strategy, the JSNA and the Corporate Plan

3.1 Sustainable Community Strategy Priorities

The report indirectly supports all of the Community Strategy priorities and cross cutting themes. The maintenance of good governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

3.2 Corporate Plan 2014/15

The report helps achieve the Corporate Plan objectives by detailing how the Council and Audit Committee can deliver good governance in Local Government.

4 Other Implications

4.1 Financial

The Financial implications are contained within this report.

4.2 Risk Management

Risk	Mitigating action	Opportunities
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	None	None
Equalities Issues	None	None
Community Support	None	none
Communications	None	none
Community Safety	None	None
Financial; Detailed in the report and above	As identified	Deliver reduction in Audit Fees in line with Audit Commission consultation
Timetable for delivery;	None	Opportunity to deliver the 2014/15 financial statements for review before the statutory deadline
Project Capacity	None	None
Other	None	None

4.2.1 Human Rights Act and Other Legal Implications

None identified

4.2.2 Equalities Impact Assessment)

No identified need for the completion of an EIA.

Executive Report

5 Introduction and Background

- 5.1 A report was provided to members at the Audit and Risk Committee on Tuesday 23rd September 2014 with the opportunity to question the Council's external auditors concerning the audit of the 2013-14 financial statements.
- 5.2 It was highlighted in this report that 2013/14 was the first year that the audit deadlines for submitting both the draft and the final statement of accounts had been met since 2009/10. The Council's financial statements for the 2013/14 financial year were approved and the external auditors report on the Council's financial statements for the same year and the accompanying recommendations going forward noted.

- 5.3 External Audit reports over a number of years have highlighted that the accounts have historically been prepared late, with inadequate working papers, and this has led to a delay in the external auditor's opinion being issued in two of the past three financial years. The response in 2013-14 had been, with a new team overseeing the production of the financial statements, to review and revise the procedures in place to produce the financial statements. The external auditors advised the committee that the Council had made and continued to make progress.
- 5.4 It was acknowledged that even though the deadlines for submitting the statements had been met the arrangements for preparing the financial statements in future years required further strengthening. It was requested that a report be brought to the next committee meeting highlighting the problems identified during the audit and the solutions implemented.

6 Main Issues during the audit

- 6.1 As a result of the 2013/14 audit plan the Council established an accounts closedown project group in to oversee the preparation for and delivery of the 2013/14 accounts closedown process. The opinion on the 2012/13 financial statements was given on the 31 October 2013 and included a significant number of issues arising from the audit and a high number of amendments required to the financial statements. Although the improvement project group started in November 2013 time was already short to ensure that supporting working papers were adequate and all recommendations shown in the report were implemented. BDO have reported that they believed the arrangements for preparing effective audit working papers in 2013-14 were significantly deficient. The council will continue to work with BDO to improve the quality for the 14/15 statements. The 2015/15 closedown process has already begun and meetings with the external auditors have been scheduled for the beginning of December 2014. We are waiting for BDO's records required listing but anticipate this information being available in December. This is earlier than in previous years and will help with the timeliness and quality of the working papers.
- 6.2 The audit did identify a number of material errors in the presentation of the financial statements. These misstatements were one off issues that arose during the audit. The changes to the accounts have been made to the satisfaction of the external auditors and should not be an ongoing issue in future years. The finance section in the Council is committed to continue to improve the processes and arrangements for producing the financial statements in 2014-15. This will provide greater assurance to members of the Risk & Audit Committee concerning the financial stewardship and accountability of the Council's financial affairs. This year we are going to perform a month 9 closedown. This will include looking at the following:
- Updating the Asset register.
 - Depreciation policy for assets
 - Debtors and creditors.
 - Expenditure and Income transactions
 - Overall Balance sheet
 - Movement of Reserves
 - Movement of provisions
 - School information available

This will enable us to identify any issues that may arise during the year and give us more time to seek a solution. We will be able to ensure that previous BDO recommendations and actions have been completed

- 6.3 Of the ten material misstatements identified in the BDO report that the Council agreed to amend it should be noted that four of these relate to disclosures in the financial statements notes rather than the primary statements. The amendments relate to either reclassifications of transactions or balances, or capital items which are subsequently reversed through reserves and therefore there is no impact on the closing general fund balance. It should also be noted that BDO issued an unqualified true and fair opinion on the financial statements for the year. The actual external audit fees for the past few years and the indicative 14/15 fee are as follows:

- 2009/10 401K
- 2010/11 401K
- 2011/12 329K
- 2012/13 260K
- 2013/14 202K
- 2014/15 169K

7 Audit Recommendations and Action Plan

- 7.1 One of the main tasks associated with the Closedown project group was the implementation of actions contained within the BDO's audit report to the audit & Risk Committee in October 2013. Updates on this plan were reported to Audit and Risk committee in March 2014. As part of the audit of the 2013/14 statements BDO have produced a follow up of the recommendations and an action plan that has been agreed with management.
- 7.2 The recommendations and progress against these actions can be seen in detail in Appendix A

Appendices Attached

- 'A' - Audit Recommendations and Action Plan
'B' - Completed 12/13 Audit Recommendations

Background Papers

Statement of Accounts 2013/14