



AUDIT COMMITTEE

22ND SEPTEMBER 2015

AGENDA ITEM (9)

GRANT THORNTON - THE AUDIT FINDINGS FOR COTSWOLD DISTRICT COUNCIL YEAR ENDED 31 MARCH 2015

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| Accountable Member | Audit Committee |
| Accountable Officer | Jenny Poole Chief Finance Officer 01285 623313 jenny.poole@cotswold.gov.uk |

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| Purpose of Report | To provide the Committee with the external auditor's Audit Findings Report for 2014/15. The report highlights the key matters arising from the external audit of the Council's financial statements for the year ended 31 st March 2015. It is also used to report the findings to those charged with governance in accordance with the requirements of the International Standard on Auditing 260 (ISA). |
| Recommendation(s) | That the Committee considers the information contained within the report and uses the report to support its consideration of the Council's financial statements for 2014/15. |
| Reason(s) for Recommendation(s) | To support the Committee in its consideration of the Council's financial statements 2014/15. |

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| Ward(s) Affected | N/A |
| Key Decision | No |
| Recommendation to Council | No |

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| Financial Implications | None directly resulting from the report. |
| Legal and Human Rights Implications | None |
| Environmental and Sustainability Implications | None |
| Human Resource Implications | None |
| Key Risks | None |

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| Equalities Impact Assessment | Not Required |
| Related Decisions | None |
| Background Documents | None |
| Appendices | Appendix 'A' - Grant Thornton Report - "The Audit Findings for Cotswold District Council" |
| Performance Management Follow Up | Implementation of the action items and recommendations listed on pages 16 and 31 of the report at Appendix A will be monitored by the Strategic Director (Corporate Resources) and the Head of GO Shared Services (in her capacity as Chief Finance Officer). |
| Options for Joint Working | Not applicable to this report. |

Background Information

1. General

1.1 The Grant Thornton report - "Audit Findings for Cotswold District Council" (**Appendix A**) highlights the key matters arising from the external audit of the Council's financial statements for the year ended 31st March 2015. It is used to report the audit findings to management and to those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

1.2 At the time of preparing this report, external audit work on the financial statements is substantially complete. Representatives from Grant Thornton are expected to attend the Committee meeting and will be able to update the Committee on the position at that time.

2. Audit Opinion on the Financial Statements

2.1 It is anticipated that an unqualified audit opinion will be issued on the financial statements.

2.2 Details of adjustments to the draft financial statements are included on pages 18-19 of the Grant Thornton report. Further information is also included within the Financial Statements report at item (10) on this agenda.

2.3 There is one item identified as a misstatement by Grant Thornton which is not being adjusted within the financial statements. The transaction relates to the establishment of a provision to offset any exchange rate losses/taxation costs which may occur in the future in relation to the repatriation of the balance of the former "Glitnir investment" which is held Icelandic Krona in Iceland. Whilst the Central Bank of Iceland has now enabled the currency to be converted to sterling, any conversion is currently subject to a taxation penalty. The Council has the option to continue to hold the balance in Icelandic Krona until the taxation regime is lifted; however, it is highly likely that there would be further costs associated with the currency conversion. The correct accounting treatment would be to establish an earmarked reserve rather than a provision. Although not strictly in compliance with accounting standards, the Chief Finance Officer has decided not to adjust the statements, as the establishment of the provision provides greater transparency in relation to this transaction. The accounting treatment will be reviewed during the preparation of the 2015/16 financial statements.

3. Value for Money Opinion

It is anticipated that an unqualified value for money conclusion will be issued.

4. Internal Control Issues

The auditor has considered the Council's internal controls relevant to the preparation of the financial statement. Three matters have been identified for consideration by the Committee, as follows:-

(i) Reconciliation between the General Ledger and Payroll modules of the Council's Agresso Business World system needs to be strengthened to include both gross and net pay. At present only net pay is reconciled. This will be implemented during 2015/16.

(ii) An account held for "unders and overs" needs to be regularly reviewed and should hold a "nil" balance as at 31st March each year. This will be implemented during 2015/16.

(iii) Work on the Council's IT Systems identified a number of potential improvements. Whilst none of these resulted in any errors being identified through the external auditors' work, the improvements will be discussed with management with a view to further strengthening the systems in the future without disproportionate additional cost. The matters relate to the use of the IT System audit logs and the administrative access rights to the various systems.

5. Chief Finance Officer Conclusion

5.1 It is very pleasing to obtain an unqualified value for money conclusion given the recent (and continuing) period of austerity in which the Council is operating.

5.2 I would like to express my appreciation to the finance team who have worked hard and diligently both to produce the draft statement on time and to work with the external auditor to enable them to issue an unqualified audit opinion on the financial statements with relatively few adjustments to the draft statements.

5.3 The internal control issues identified in section 4 will be addressed during 2015/16. Further work is required to understand the IT Systems issues identified and the how these issues fit into the internal control framework. Where appropriate, improvements will be made to IT systems to strengthen internal controls.

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