

READING BOROUGH COUNCIL
REPORT BY HEAD OF FINANCE

AT THE TIME OF DESPATCH WE HAD YET TO RECEIVE THE DRAFT ISA260 FROM THE AUDITOR - AN UPDATE WILL FOLLOW WHEN THIS BECOMES AVAILABLE. THE DRAFT ACCOUNTS ARE ON THE WEBSITE BUT MAY NEED UPDATING IF THERE ARE AGREED AUDIT ADJUSTMENTS

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	29 September 2016	AGENDA ITEM:	3
TITLE:	APPROVAL OF 2015/16 ACCOUNTS, EY AUDIT MEMORANDUM & AUDIT OPINION (ISA260)		
LEAD COUNCILLOR:	CLLR STEVENS	AREA COVERED:	CHAIR OF AUDIT & GOVERNANCE
SERVICE:	FINANCIAL	WARDS:	BOROUGHWIDE
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1. PURPOSE AND SUMMARY OF REPORT

- 1.1 In accordance with the Accounts & Audit Regulations, the Committee, on behalf of Council is required to approve the Council's accounts by the end of September.
- 1.2 As part of the annual external audit process of the Council's accounts, EY produce an Audit Memorandum (ISA260) to those charged with Corporate Governance prior to issuing their opinion.
- 1.3 EY have PROVISIONALLY indicated that subject to the approval of the accounts by the Committee, the receipt by them of a Management Representation letter, the receipt by the Committee of the Report to those Charged with Governance they will be in a position to issue an unqualified audit report on the (amended) Council's accounts, thus concluding the accounts audit process for 2015/16. This report sets out these documents, though for reasons of size the formal accounts have not been printed as part of the agenda.
- 1.4 However, EY are separately required to issue a value for money opinion, that includes factors related to financial stability. EY have indicated that this opinion will be qualified.
- 1.5 EY will be present at the meeting to deal with questions relating to their audit.

2. RECOMMENDATION

2.1 Audit & Governance Committee are requested to note:

- a) the Management Representations letter from the Head of Finance
- b) EY's (ISA 260) Report to those charged with governance

2.2 Audit & Governance Committee are requested, on behalf of Council to approve the final accounts for 2015/16, noting that in doing so EY will be in a position to issue an unqualified opinion on the accounts.

2.3 Audit & Governance Committee are requested to note the qualified VFM opinion and actions the Council has agreed to pursue arising from the audit (TO FOLLOW) on behalf of Council.

3. POLICY CONTEXT

3.1 Each year as part of the annual external audit process the Council's External Auditor produce a report addressed to those charged with governance prior to issuing their Audit Opinion. This is the first year of EY's appointment as auditor.

3.2 The Report is submitted to the Audit & Governance Committee as part of its duties on behalf of Council. Given the democratic nature of the Council it is possibly too simplistic to suggest the Committee is solely responsible for governance, and we suggest that Council as a whole as well as the Administration have some governance responsibilities too, as of course does the Corporate Management Team. To reflect this, the Annual Governance Report is signed by the Leader and Managing Director.

3.3 The general financial position was reported to the Committee at its July meeting, and the Council's draft accounts were signed off at the end of June by the Head of Finance and placed on the website. As is normal in the course of the audit we have agreed a small number of changes to the draft accounts. As part of the process, the Council's Section 151 Officer is required to submit a Management Representations letter to the External Auditor, and this is attached for the information of the Committee.

4. OPINION AND AUDIT MEMORANDUM / MANAGEMENT REPRESENTATIONS LETTER

4.1 Attached to this covering report are

- Management Representations Letter
- EY's Audit Memorandum (ISA 260) to those charged with governance (to follow)

4.2 Implementing External Audit Recommendations

EY's letter includes

4.3 {PARAGRAPH TO FOLLOW ONCE ISA 260 received}

4.4 EY Audit Differences

EY's Report sets out the more significant issues that have arisen in their audit and a small number of audit adjustments we have made to the draft accounts as a consequence of their work. The required adjustments are largely technical or presentational ones. There have been no changes to the council's available balances and resources as a consequence of EY's audit.

[possible comments to follow related to audit differences]

4.3 EY

The committee will be aware that prior to its abolition the Audit Commission decided to appoint EY as auditor for the 2015/16 & 2016/17 accounts, an appointment that has subsequently been extended by DCLG to include 2017/18.

5. FINANCIAL IMPLICATIONS

5.1 None, directly from this report.

5.2 As indicated above and in EY's report, a number of adjustments have been made to the accounts since June, but overall these have had no significant impact on the General Fund Balance.

5.3 The final accounts with the audit report will as usual be published on the Council's website.

6. LEGAL IMPLICATIONS

6.1 The process being followed is in line with the Accounts & Audit Regulations.

7. CONTRIBUTION TO STRATEGIC AIMS / COMMUNITY ENGAGEMENT /EQUALITY IMPACT ASSESSMENT

7.1 None directly from the report.

8. BACKGROUND PAPERS

8.1 None.