

Bromsgrove District Council Audit Committee Update

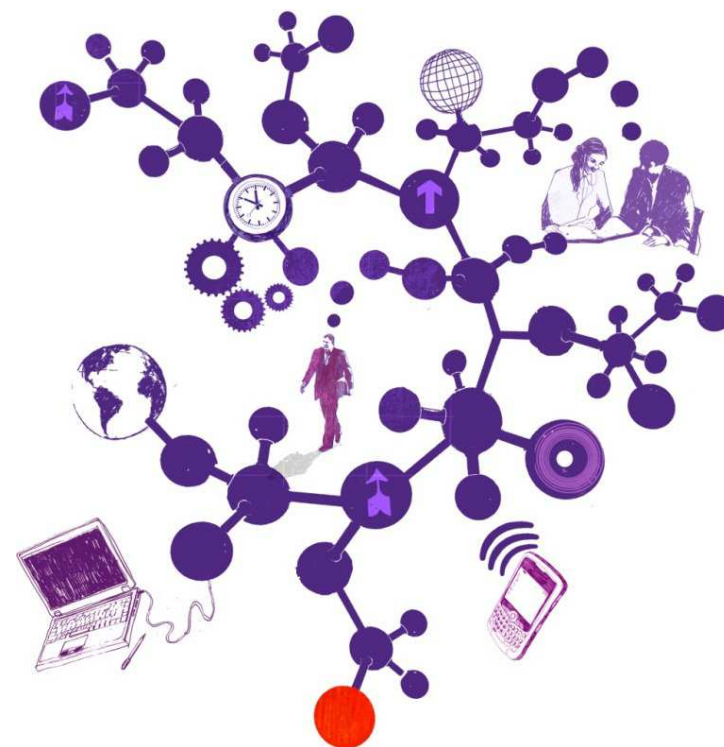
Year ended 31 March 2015

September 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

The next report to the committee will provide a more detailed update on reports and emerging issues and up to date information is available on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>).

Accounts production and audit

At the last committee we highlighted the issues that had led to a delay in production of the accounts. The audit started on 27 July as planned.

Our audit is currently not as advanced as was planned and thus it will be a challenge to complete the audit, to the required professional standards, and on time. Our audit will need to be given a priority by your staff if the deadline is to be met. Some members of your team have been very supportive of the audit, and we are still hopeful that the audit will be complete by the 30 September deadline.

As reported in our last update, the accounts were presented after the 30 June statutory deadline. The certified version was received on 6 July, followed by a revised version on 23 July and a restated set of accounts on 4 September. These revisions have resulted in material changes to gross income and expenditure and has impacted on the overall net expenditure and several other figures in the accounts and the supporting notes.

The reasons for the delay and the restatements include:

- Investigation of significant variances between prior year accounts and this year – this highlighted a number of issues. We are not yet fully sighted on the reasons for this, but it will be due to a combination of issues associated with the coding of income and expenditure in the new ledger, different personnel preparing the accounts leading to a lack of consistency of approach and errors being made. Accounting for internal recharges appears to be a particular issue. We understand that the accounts have now been restated on a consistent basis with the prior year as far as possible and our testing will consider whether the accounts are prepared in line with the CIPFA code.
- The working papers request document that we provided earlier in the year had not been considered and a set of working papers was not produced that met that standard. This no doubt related to the haste in which the accounts were prepared and the pressure that the team were under. Working papers were provided, however many were provided or prepared on request which clearly takes time, particularly when staff are not available. Time could have been better utilised between the accounts being certified and the audit starting to improve the working papers.

Accounts production and audit (cont)

- The new ledger provided some challenges for your team as they are having to work out how to produce some of the reports to support the audit trail to enable our testing to be undertaken. This again is taking additional time, particularly around our journals testing and agreement of the accounts to the ledger. Additional procedures will now need to be undertaken in both these areas due to the restatement.
- Material expenditure on town centre improvements treated as capital expenditure and included in the balance sheet. As the improvement work does not result in an asset belonging to the Council, this should not be treated as capital expenditure. This has now been restated.
- An appeal on business rates for GP premises was received after the year end. This is an agreed post balance sheet event. The adjustment has impacted on the collection fund, and to a lesser extent on the general fund as the council only bares 40% of the costs.

Your team are keen to learn from the difficulties experienced this year and we will have a full debrief once the audit is completed.

We have completed most of our work on the Value for Money conclusion. One of the areas considers financial governance. Due to the late production of the accounts and difficulties in the audit this impacts on the assessment criteria for this theme. Limited progress on performance management is also a consideration. As a result we will need to put our findings before the panel on 8 September and their recommendations this may impact on our overall value for money conclusion.

Progress at July 2015

Work	Planned date	Complete ?	Comments
2014-15 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July- September 2015	N	Our Audit Findings report will be presented to the 23 September Audit Committee.
<ul style="list-style-type: none"> • Audit of housing subsidy claim 	October/ November 2015	N	The initial testing on the housing subsidy claim has been completed. Much of this testing is completed by your benefits team and is reviewed. As a result of errors identified in this testing and issues reported in the prior year, additional 40+ testing is currently being undertaken. this will be reviewed by us when we have completed the opinion audit.
<ul style="list-style-type: none"> • Annual Audit letter 	December 2015	N	This will be reported to the Audit Governance and Standards Committee on 10 December.

Understanding your accounts – Member guidance

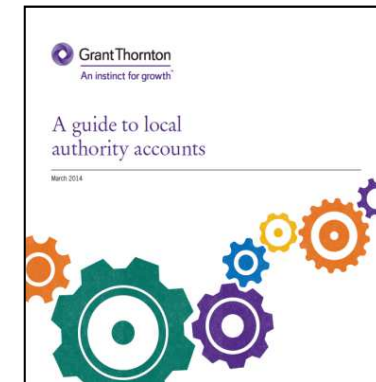
Accounting and audit issues

Local authority Audit Committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand.

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members to the Audit Committee may find this guide helpful.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in a surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at the year end; and
- other statements and additional disclosures



We have provided copies of the Guide to Local Authority accounts to the Council for distribution to the Audit Committee.



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