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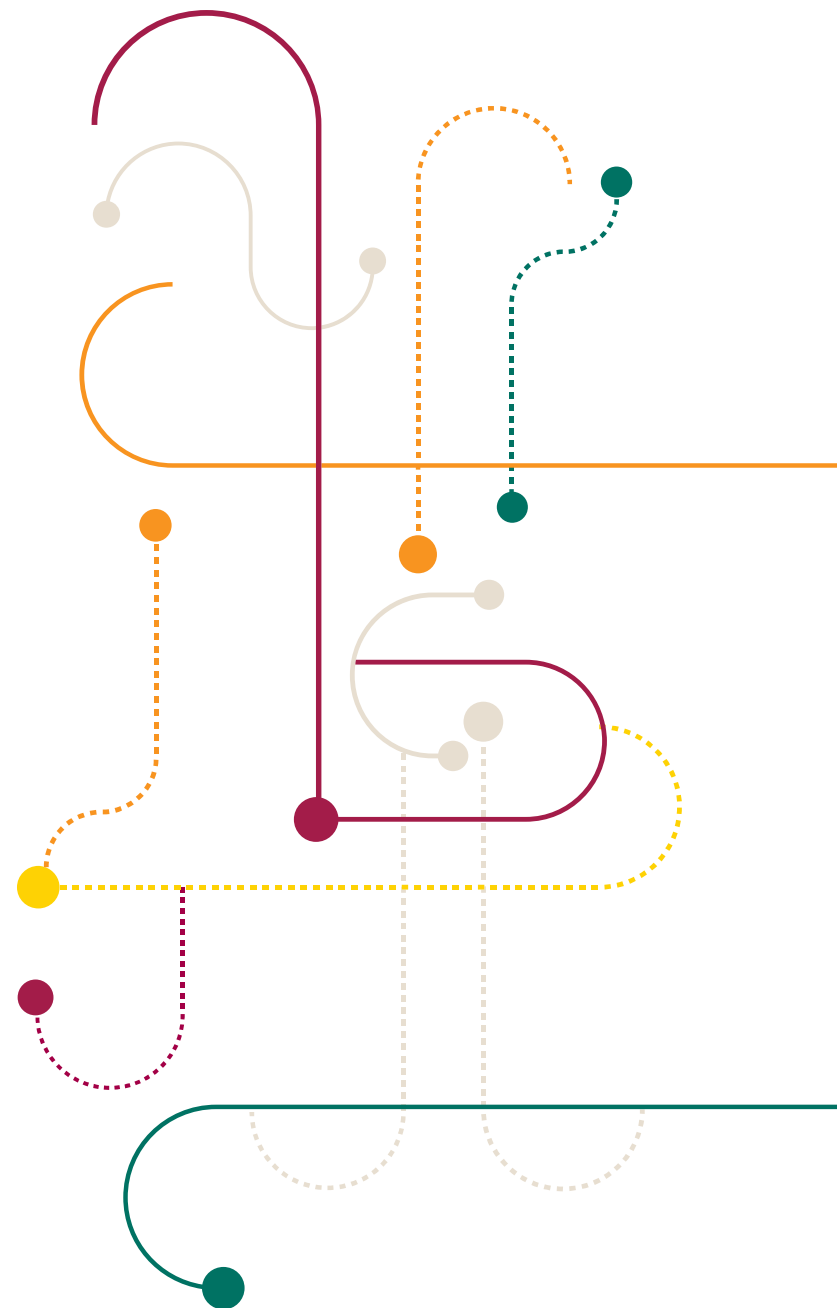
Role of the Audit Committee

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Introductions – your team

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Contents – what we will cover

- The role of the Audit Committee in relation to the Statement of Accounts
- Explanation of key statements including
 - Narrative report
 - Annual Governance Statement
 - Comprehensive Income and Expenditure Statement
 - Balance sheet
 - Other statements
 - Additional disclosures

Audit Committee: Purpose

- Audit committees are a key component of an authority's governance framework
- Purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and integrity of the financial reporting and governance processes

Source: CIPFA's Position statement: Audit Committees in Local Authorities

Audit Committee role in respect of the Statement of Accounts

- To review the annual Statement of Accounts
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts
- To approve the Statutory Statement of Accounts in accordance with your delegated arrangements

Narrative report

Purpose

- to provide a commentary on the financial statements including an explanation of key events together with 3Es in your use of resources

Challenge questions

- Does the narrative report provide a clear summary of your financial performance and financial position at year end?
- Is the summary in line with your expectations? Are the key events those you expected to see?
- Can you trace the figures to the financial statements?
- If last year's figures have been restated, is the reason clearly explained?
- Is there a better way that this information could be communicated?

Annual Governance Statement

Purpose includes

- Setting out the arrangements you have put in place to manage and mitigate risks when meeting your responsibilities in the year
- Significant events and developments relating to your governance systems
- Effectiveness of internal controls

Challenge questions

- Is the content of the AGS consistent with you knowledge of the Council?
- Does the AGS succinctly describe the control environment in an understandable way?

Movement in reserves statement

Reserves represent the Council's net worth and show your spending power. Reserves are either usable or unusable

- Usable reserves – result from Council activities, can be spent in the future and include general fund, earmarked reserves and capital receipt reserves
- Unusable reserves – derive from accounting adjustments, cannot be spent and include pensions reserve, revaluation reserve and capital adjustment account

Movement in reserves statement

Challenge questions

- Are the purposes of the material earmarked reserves consistent with the Council's objectives and decisions?
- Are the movements in the two types of reserves shown clearly?
- Do the opening balances agree with last year?
- Do the figures in the MIRS agree to the CIES?
- Can you trace the figures in the MIRS to the relevant notes? Do the notes adequately explain the major movements?

Comprehensive Income and Expenditure Statement (CIES)

Purpose

- The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit

Challenge questions

- Does the CIES reflect the financial performance of your Council as you know it?
- Have there been significant changes year on year? If so are these clearly explained?
- Is the Expenditure and Income Analysis note consistent with your budget reports? Can you trace figures through?

Balance sheet

Purpose

- The balance sheet is a snapshot of the Council's financial position at a specific point in time showing what it owns and owes at 31 March
- The balance sheet shows assets and liabilities which are split between current and non current

Challenge questions

- Have any significant changes between years been sufficiently explained?
- Are there clear references to the notes where more detailed information is available?

Balance sheet

Challenge questions

- Are the changes in property, plant and equipment what you would expect based on any major disposals, the capital programme and movement in market prices?
- Are movements in investments and borrowing consistent with the treasury plans and with the cash movements in the cash flow statement?
- Are the reasons for provisions and details of how they have been calculated clearly shown?
- Do the reserves in the balance sheet agree to the balances in the MIRS?
- Is the balance sheet presented and labelled in a way that makes sense?

Other statements

- Cash flow statement
- Collection Fund

Challenge questions

- Have any significant changes between years been sufficiently explained?
- Are there clear references to the notes where more detailed information is available?

Additional disclosures

- Accounting policies
- Critical judgements
- Estimates
- Property, plant and equipment
- Leases
- Employee remuneration
- Contingent liabilities

Additional disclosures

Challenge questions

- Have you already seen and been able to comment on the proposed accounting policies?
- Are you comfortable with the critical judgements and estimates disclosed?
- Do the figures reported in the financial statements agree to those included in the relevant notes?
- Are the notes easy to find and follow?
- Is too much information included? Could it be better presented?

And finally...

About the financial statements

- Are they clear, concise and easy to follow?
- Are they presented in the best format? Could graphs and diagrams be used to help explain information more easily?
- Is detailed information on the most important items easy to find?
- Are technical terms explained in plain English? Is there a glossary?
- Is it clear how a reader could find out more information?
- Where are the accounts to be published? Are they easy to find?

About the process

- Do you recognise that producing robust financial statements is important for strong financial governance?
- Have you set targets to produce shorter, clearer, earlier financial statements?
- What support can you give officers to meet these challenges? Do they have sufficient resources? Are they given enough support from senior management?
- What support do you need to help you discharge your responsibilities? Are there any areas in which you need training?



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