

Item 4 (a) – Statement of Accounts 2014/15 - Outcome of External Audit

When considering the report '[Statement of Accounts 2014/15 - Outcome of External Audit](#)' the Audit Committee resolved to make Cabinet aware of a potential issue, relevant minute extract below:

Audit Committee – 8 September 2015 (Minute 19)

The Chairman welcomed Mr. Andy Mack and Mr. Geoffrey Banister from Grant Thornton, the Council's External Auditors, to the meeting.

The representatives of Grant Thornton introduced the report which explained their findings on the 2014/15 Statement of Accounts, which were to be signed off by the end of September 2015. Mr. Mack advised that the external auditors found that the Statement gave a true and fair view of the Council's financial position and had been properly prepared in accordance with the Code of Practice. Grant Thornton hoped to sign off the Accounts the next day with an unqualified audit opinion. An unqualified opinion had also been given on the Council's Value for Money arrangements, confirming that the Council had strong arrangements in place. He thanked Officers for their help during the course of the audit.

Mr. Mack highlighted that the Finance Team understood the financial position of the Council well. The Council had good arrangements in place for financial management, including long-term financial planning. Financial decisions were taken for the long term. Innovation, such as the new investment strategy, was central to the financial sustainability of the Council. This reflected good practice.

However Grant Thornton had identified a number of disclosure and presentational errors in the draft statements, which increased the time spent on the audit and led to an increase in the audit fee. Mr Mack also highlighted that by 2018 the Statement of Accounts would have to be approved two months sooner. In his opinion the Finance Team was good but their capacity was overstretched.

The Chief Finance Officer advised that the Audit Committee working group had considered the Statement of Accounts in July 2015 which resulted in some changes to the foreword. A review of the Finance Team was already planned and would include a look at the resources and skills required to produce an improved Statement of Accounts for 2015/16, noting that the Council had the smallest Finance Team in Kent. A report on the changes being implemented would be reported to the Committee in January 2016.

In response to questions Members were advised by Grant Thornton that the accounts could be streamlined by de-cluttering but still ensuring that all necessary information was still present, also by reviewing de minimis levels, for example for accruals. This assessment would be best carried out in the next two to three months. Some sections of the accounts could also be produced separately, in advance, in order to assist in the earlier preparation of the accounts.

The Portfolio Holder for Finance considered the Finance Team high quality. He asked why criticism of the notes had not been made in previous years and asked

whether the comments would affect the fee in future years. Mr. Mack advised that the misstatements had only arisen this year. Although the fees for the 2014/15 audit had risen from £57,541 to £64,000, reflecting the additional work, this would not affect future fees. The Committee noted the fee increase with concern and hoped the audit would be carried out for the planned fee next year.

The Committee thanked the Finance Team for their extremely hard work in preparing the Statement of Accounts, and thanked Grant Thornton for their audit work and their report.

The Committee were also asked to agree that the Chairman of the Audit Committee sign the representation letter to Grant Thornton for the Financial Statements for the year ended 31 March 2015 found at Appendix B to the report.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) the Statements of Accounts for 2014/15 be approved;
- b) the audit letter of representation be approved; and
- c) **Cabinet be advised** that pending a review of the Team, the Finance Team may require additional resources for the preparation of the 2015/16 Statement of Accounts.