

Item No. 11.	Classification: Open	Date: 18 July 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Southwark Council Audit Findings Report 2017-18 and Pension Fund Audit Findings Report 2017-18	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee:
 - a) consider the matters raised in Grant Thornton's audit findings report for 2017-18 (Appendix A) before approval of the council's accounts
 - b) note the adjustments to the accounts as set out on pages 22-24 of the audit findings report
 - c) approve the council's letter of representation set out at Appendix B
 - d) consider the matters raised in the pension fund audit findings report 2017-18, (Appendix C) prior to approval of the pension fund statement of accounts
 - e) note the adjustments to the pension fund statement of accounts as set out in page 14 of the audit findings report
 - f) approve the pension fund letter of representation set out at Appendix D
 - g) approve the Statement of Accounts 2017-18 (Appendix E), subject to any final changes required by the conclusion of the audit, being delegated to the strategic director of finance, in consultation with the chair of audit, governance and standards committee.
 - h) note the audit fee letter (Appendix F).

BACKGROUND INFORMATION

2. As the council's appointed external auditor, Grant Thornton is required under the statutory Code of Audit Practice for Local Government Bodies to issue reports to those charged with governance summarising the conclusions of the audit work. The audit, governance and standards committee is the council's constitutional body for receiving these reports and needs to consider the auditor's reports before approving the accounts.
3. The audit of the pension fund accounts is separate from the audit of the council's main accounts. There is a separate audit findings reports from the auditor for the Pension Fund accounts.

4. The auditor is required by professional auditing standards to report to the committee certain matters before giving their opinion on the financial statements. There are separate sections in each report covering these matters.
5. In addition to reporting on the financial statements, the auditor reports on any circumstances where they suspect or detect fraud and on whether, in their view, the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
6. The principal purposes of the reports are to:
 - reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the audit and governance committee;
 - share information to assist both the auditor and the committee to fulfil their respective responsibilities;
 - provide the committee with recommendations for improvement arising from the audit process.
7. Before the auditor issues their formal opinion, they will require letters of representations to be provided by the council. The draft letters, relating to each of the main accounts and pension fund accounts, are set out in Appendices B and D respectively. The final letters, once approved by this committee, will be signed by the strategic director of finance and governance on behalf of the council.

KEY ISSUES FOR CONSIDERATION

Audit opinion

8. The auditor expects to give unqualified opinions on both council's accounts and pension fund accounts prior to the statutory deadline of 31 July 2018, two months earlier than last year.
9. The purpose of the Grant Thornton's Audit Findings Report (AFR) is to detail their findings and matters arising during the course of auditing the financial statements. The report of the main council accounts is attached as Appendix A, and includes key audit issues, value for money conclusions and a management action plan. The Auditors will also make an oral presentation of their findings to the Committee.
10. Whilst the auditors have identified a number of amendments to the accounts, (pages 22-24) there are no areas of dispute between the Council and the auditors and no unadjusted misstatements.
11. The AFR identified one misstatement which required adjustment (page 22). As part of the audit, Grant Thornton's technical team undertook a review of the accounts. The review highlighted that the presentation of Support Service Costs on the face of the Comprehensive Income and Expenditure Account was not strictly in accordance with the requirements of the accounting Code, despite the presentation having previously been agreed, and we have revised the presentation accordingly.
12. The audit has been extremely thorough and highlighted a few other areas where improvements could be made to disclosures and to correct some minor misclassifications, all of which will be reflected in the final accounts.

Letters of representation

13. The proposed letters of representation for the main council statements and the pension fund are set out in Appendices B and E respectively. The auditor has asked for a number of representations to be given, and there are no reservations in being able to give these representations.

Audit fee letter

14. Following the council's decision to opt in to the Public Sector Audit Appointments Ltd (PSAA) auditor appointment arrangements, Grant Thornton (UK) LLP was appointed to audit the accounts of the council for five years from 2018-19. The 2018-19 audit fee letter is attached at Appendix F. The Council's scale fee for 2018-19 has been set by PSAA at £182,718.

Community impact statement

15. This report and the accompanying statement of accounts are not considered to have a direct impact on local people and communities.

Resource implications

16. There are no direct resource implications arising from this report.

Consultation

17. Consultation on the accounts is carried out through public inspection. The accounts were open for public inspection from 1 June 2018 until 12 July 2018. The audit findings reports are key documents in assessing the council's progress and plans for the future, such as through the council's policy and resources strategy. The final report will be published on the council's website.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

18. None required.

Reasons for lateness

19. The audit of the accounts is ongoing. The Audit Findings Reports were received and agreed after the dispatch of the audit, governance and standards committee agenda.

Reasons for urgency

20. Accounts and Audit Regulations require the council to approve the accounts by 31 July 2018.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Finance and Governance files	Finance and Governance, Second Floor, Tooley Street	Rob Woollatt 020 7525 0614

APPENDICES

No.	Title
Appendix A	Grant Thornton – Council Audit Findings Report 2017-18
Appendix B	Letter of Representation – Council
Appendix C	Grant Thornton – Pension Fund Audit Findings Report 2017-18
Appendix D	Letter of Representation – Pension Fund
Appendix E	Statement of Accounts 2017-18
Appendix F	Grant Thornton Fee letter 2018-19

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Rob Woollatt, Interim Departmental Finance Manager		
Version	Final		
Dated	13 July 2018		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Director of Law and Democracy		No	N/A
Strategic Director of Finance and Governance		N/A	N/A
Cabinet Member		N/A	N/A
Date final report sent to Constitutional Team			13 July 2018