

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	23 September 2015
3.	Title:	Statement of Accounts 2014/15
4.	Directorate:	Resources

5. Summary

To advise Members of the matters arising from the external audit of the Council's 2014/15 Statement of Accounts as presented in the external auditor's ISA260 report and, in acknowledging these findings, request that the Audit Committee approve both the Letter of Management Representations and the audited Statement of Accounts 2014/15.

6. Recommendations

- 1. That the Audit Committee accepts the Auditor's ISA260 report to those charged with governance attached at Appendix 1.**
- 2. That the Audit Committee approves the Statement of Accounts 2014/15 attached at Appendix 2.**
- 3. That the Audit Committee approves the Letter of Management Representations attached at Appendix 3.**

7. Proposals and Details

7.1 Financial Statements

The unaudited Statement of Accounts were authorised for issue by the Interim Strategic Director of Resources and Transformation (Section 151 officer), and published on the Council's website on 29 June 2015. The key disclosures contained in the unaudited Statement of Accounts were presented to Audit Committee on 22 July 2015.

The unaudited Statement of Accounts has now been subject to audit. The Auditor's ISA 260 report (attached at Appendix 1 to this report) sets out in detail the outcomes from the audit.

The Auditor identified a prior period adjustment of £16.3m relating to school land that was written out of the Council's Accounts following the transfer of assets to newly created Academies. The Council, along with other authorities had awaited clarification from CIPFA as to whether land associated with schools which have converted to an academy should be removed rather than retained on the Council's balance sheet. Following receipt in 2014/15 of that clarification a change in accounting policy was adopted and an adjustment made to the Accounts. This was processed in 2014/15 rather than by restating the 1st April 2014 opening balances by making a prior period adjustment to the 2013/14 comparators. This was a technical accounting adjustment and overall has nil impact on the 2014/15 financial statements, the £16.3m representing approximately 1.65% of the total of the Council's Property, Plant and Equipment balance at 31st March 2015 shown within the Balance Sheet.

A small number of minor presentational changes were identified all of which have been agreed with the external auditor and corrected in the final version of the Statement of Accounts presented to Audit Committee for approval at Appendix 2.

The Auditor has also put forward three low priority recommendations which are detailed in Appendix 1 to the ISA260. These have been discussed and agreed with the Auditor and measures have been put in place to address the issues raised.

None of the presentational changes made affect the financial performance or financial position of the Council reported in the unaudited Statement of Accounts.

The Statement of Accounts, in its revised form, now requires approval by Members prior to publication before the end of September 2015.

The ISA 260 report also confirms that:

- the audit process was fully supported through **good quality working papers and timely responses to audit queries** (see page 10 of the report)
- **there are no other matters which need to be reported to Audit Committee** (see page 11 of the report).

As a result of these positive assurances, KPMG anticipate being able to give an **unqualified opinion by 30 September** that the Council's Statement of Accounts provides a true and fair view of its financial position at 31 March 2015 and its income and expenditure for the year then ended (see page 3 of the report).

These findings demonstrate that the Council has been able to sustain in 2014/15 the high standard of financial reporting that has been achieved in recent years since International Financial Reporting Standards (IFRS) were adopted.

This has been supported by the developments that have and are continuing to take place to facilitate financial reporting, namely the introduction of a new general ledger structure during the course of the year and improvements to year end closure procedures.

It also reflects the benefit of officers working proactively with External Audit from an early stage in the audit to discuss and seek agreement on significant / complex accounting issues and areas of audit focus (see pages 7 to 9 of the report).

7.2 Value For Money (VFM) Conclusion

The Auditor identified the following VFM risks in the External Audit Plan for 2014/15 which was issued in July 2015 and reported to Committee on 22 July 2015:

- Governance Arrangements
- Financing Child Sexual Exploitation Claims
- Budget Pressures

The Auditor's work in this area and assessments in relation to each risk are set out in section 4 to the ISA260 report (see pages 12 to 14).

Bearing in mind that the Commissioners were appointed in late February 2015 and there was only one month before the end of the financial year it was not anticipated that sufficient progress would be made in improving the Council's Governance arrangements within that timeframe. As a result and as previously reported to Committee the Auditor was expected to issue a **qualified VFM conclusion** in respect of 2014/15.

The Auditor has confirmed this conclusion but it is important to note that it is recognised that the Commissioners have developed a robust Improvement Plan and are in the process of implementing a series of initiatives to strengthen the corporate governance arrangements in line with the Improvement Plan which will be fundamental in re-establishing the essential component parts of an effective, modern local authority.

The progress made over the last six months and that anticipated over the remainder of 2015/16 will be considered by the Auditor in forming the 2015/16 VFM conclusion.

7.3 Management Representations

In order for KPMG, LLP to complete their audit and satisfy International Auditing Standards, the Council is required to provide them with a written Letter of Management Representation from those charged with governance. Appropriate enquiries have already been made with officers of the Council to confirm the representations made. Appendix 3 attached to this report is the Letter of Management Representations in the format prescribed by KPMG, LLP to be approved by the Audit Committee.

8. Finance

The Statement of Accounts 2014/15 presents a true and fair view of the Council's financial position at 31 March 2015 and its income and expenditure for the year then ended. In responding to audit matters raised by KPMG, LLP **no changes have been made that affect the overall financial position of the Council** previously reported in the unaudited Statement of Accounts and presented to Committee in July.

9. Risks and Uncertainties

Any outstanding issues have been included in the ISA260 report.

10. Policy and Performance Agenda Implications

These issues are disclosed in the Auditor's ISA260 report.

11. Background Papers and Consultation

External Auditor's ISA260 Report 2014/15 (Appendix 1)

Audited Statement of Accounts 2014/15 (Appendix 2)

Letter of Management Representation (Appendix 3)

Audit Committee – 22 July 2015

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