

<b>CABINET</b>	<b>AGENDA ITEM No. 7</b>
<b>27 February 2017</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Corporate Director: Resources Steven Pilsworth, Service Director Financial Services	☎ 452520 ☎ 384564

## ANNUAL AUDIT LETTER 2015/16

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> John Harrison, Corporate Director: Resources	<b>Deadline date:</b> N/A
It is recommended that Cabinet approve the Annual Audit Letter for the financial year 2015/16, subject to any comments Cabinet may wish to make.	

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following a referral from the Council's External Auditor (Ernst & Young).
- 1.2 The report is for Cabinet to consider under its Terms of Reference No. 3.2.11: *To scrutinise auditor's reports and letters, to consider reports from the Council's external auditor and internal auditor, where appropriate, and determine appropriate responses.*
- 1.3 The report will also be presented to the Council's Audit Committee in accordance with its Terms of Reference No. 2.2.1.5: *To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.*

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to consider and respond to the Annual Audit Letter for 2015/16, prepared by our external auditors Ernst & Young (EY).

### 3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	<b>N/A</b>
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### 4. ANNUAL AUDIT LETTER

- 4.1 The External Auditor produces an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. During the year, EY have undertaken various reviews on behalf of the authority, the Annual Audit Letter collates and summarises those reports, the bulk of which was reported to Audit Committee in the ISA 260 on the 22 September 2016.
- 4.2 The report notes that EY issued an unqualified audit opinion on the 2015/16 Statement of Accounts and that they concluded that the Council has put in place proper arrangements to secure value for money in its use of resources. The letter is attached as Appendix A.
- 4.3 As the letter is issued in October summarising reports from earlier in the year and is reported to members in the February meeting cycle some of the information has now changed and we

continue to update EY. For example the Value for Money section mentions a budget gap for 2017/18 of £4m. This was the position in September when the Report to Those Charged with Governance (ISA 260) was produced. Since then, significant work has been undertaken on the budget, and proposals for a balanced budget for 2017/18 came to Cabinet on the 6 February 2017.

- 4.4 The Focused on Your Future section mentions changes are around the accounting for Highways Networks Assets (HNA) which were due to take effect from 1 April 2016. The CIPFA/LASAAC Local Authority Accounting Code Board decided at its 9 November 2016 meeting to delay the implementation of these changes due to the need to revise some nationally set rates which form part of the required valuation calculations. CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18.

## **5. CONSULTATION**

- 5.1 During the year, EY have undertaken various reviews on behalf of the authority, the Annual Audit Letter collates and summarises those reports, the bulk of which was reported to Audit Committee in the ISA 260 on the 22 September 2016.

## **6. ANTICIPATED OUTCOMES**

- 6.1 Approval of the Annual Audit Letter 2015/16.

## **7. REASONS FOR RECOMMENDATIONS**

- 7.1 The Council is required to consider the statutory Annual Audit Letter and make appropriate arrangements in response to recommendations.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 None.

## **9. IMPLICATIONS**

- 9.1 Specific implications associated with each of the main aspects of the Annual Audit Letter are addressed as part of the individual work programmes.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- 10.1 Audit opinion for 2015/16 financial statements.  
10.2 Report to those charged with Governance (ISA (UK&I) 260).

## **11. APPENDICES**

- 11.1 Appendix A - Annual Audit Letter 2015/16