



CORPORATE GOVERNANCE COMMITTEE – 25 JULY 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EXTERNAL AUDIT OF THE 2017/18 STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT & PENSION FUND ACCOUNTS

Purpose of Report

1. The purpose of this report is to set out the key findings from the external audit of the 2017/18 financial statements and to seek the Committee's approval of the draft letter of representation.

Background

2. KPMG LLP, the County Council's external auditor, are required to communicate the results of the 2017/18 audit of the Council's financial statements to those charged with governance prior to certifying the statement of accounts. The draft 2017/18 Statement of Accounts, Annual Governance Statement (AGS) and Pension Fund Accounts can be viewed on the Council's website via the following link:-

<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2018/5/31/statement-of-accounts-annual-governance-statement-and-pensions-account2017-18.pdf>

3. A copy of the auditor's report (ISA260) is attached as Appendix A to this report.
4. A copy of the letter of representation is attached as Appendix B to this report for member consideration.
5. John Cornett, the KPMG LLP Director responsible for the County Council audit will attend the Committee meeting to communicate any significant findings and answer any questions.
6. The audit of the 2017/18 accounts is the final year of KPMG LLP as the external auditor of the County Council.

Key Findings of the External Auditor

7. The auditor has reviewed the financial statements and has concluded that there are no material accounting issues to report. The external auditor anticipates issuing an unqualified opinion.

8. The auditor has raised five recommendations:

- No periodic user access responsibility review (to the financial system, Oracle). The last significant review was 3 years ago. There had been some initial delays in developing suitable reports, but these have now been resolved and a full review will be undertaken during 2018.
- Timely revoking of system (Oracle) access for leavers. From a full review of all assignment (employment) end dates, there were 20 cases where access to the system was still available after the end dates. Subsequent testing showed no inappropriate actions had been undertaken. A review of the process will be undertaken to ensure that end dates are updated on a timely basis.
- Payroll BACS authorisation. For one payroll in December 2017 the file was prepared and approved by the same person. A shortage of staff at the time resulted in the team manager certifying the preparation and approval of the file to meet the payroll deadlines. This will be reviewed to ensure adequate cover is available in future.
- Pension Fund – Investment Asset Reconciliation. The quarterly Net Asset Valuations (NAV) reports from fund managers are reconciled for each quarter but are not input into the general ledger until year end. The Council has agreed that best practice is to input them quarterly and this will be implemented during 2018.
- Pension Fund – Bank Reconciliation. The pension fund bank account is reconciled on a daily basis and reviewed by a senior officer at the end of each month, but there is no formal monthly reconciliation statement signed by the preparer and the approver. This will be implemented in 2018.

9. There was also one correction to the accounts identified during the audit. This related to the valuation of assets, £1.4m, and was due to a difference between the valuation system and the fixed asset register. The issue has been identified and changes will be made for next year. The correction, to reduce the value of land and buildings, has been made in the 2017/18 accounts.

Recommendation

10. The Committee is asked to consider the issues raised in the auditor's report and approve the draft letter of representation.

Equal Opportunities Implications

11. None.

Circulation Under the Local Issues Alert Procedure

12. None.

Background Papers

None.

Officers to Contact

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Appendices

Appendix A - External Auditors report
Appendix B - Letter of Representation

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