

## CAMBRIDGE CITY COUNCIL

---

REPORT OF: Head of Finance

TO: Civic Affairs Committee

14/09/2016

WARDS: None directly affected

### **ERNST & YOUNG EXTERNAL AUDIT CONCLUSIONS AND APPROVAL OF STATEMENT OF ACCOUNTS**

---

#### **1 INTRODUCTION**

- 1.1 The external audit of the Statement of Accounts for 2015/16 by Ernst & Young is underway and is expected to be concluded by mid-September. Before giving their formal opinion on the accounts there is a requirement to present their audit findings and to obtain a letter of management representation signed by both the Head of Finance and a member on behalf of 'those charged with governance.' Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.
- 1.2 Ernst & Young will be at the meeting to present and discuss their audit findings.
- 1.3 For 2015/16 the Accounts and Audit Regulations require that the accounts be approved by resolution of a committee of the Council (or the full Council) by 30 September. Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.

#### **2. RECOMMENDATIONS**

- 2.1 That the Committee receive the audit findings presented by Ernst & Young.
- 2.2 That the Statement of Accounts for the year ending 31 March 2016 be approved.

- 2.3 That the Chair of the meeting be authorised to sign the Letter of Representation and Statement of Accounts for the financial year ending 31 March 2016 on behalf of the Council.

### **3. BACKGROUND**

- 3.1 Approval of the Statement of Accounts for 2015/16 by the Civic Affairs Committee and publication of those accounts is required by 30 September 2016, in line with the Accounts and Audit Regulations.
- 3.2 The Civic Affairs Committee reviewed the draft Statement of Accounts for 2015/16 on 29 June 2016. Ernst and Young have since been carrying out their audit. The changes made to the accounts agreed to date are discussed in section 4 below. The revised version of the Annual Report and Statement of Accounts, incorporating these changes, is provided at Appendix A.
- 3.3 International Auditing Standard (UK and Ireland) 260 requires auditors to communicate a number of matters to those charged with governance, before issuing their audit opinion.
- 3.4 International Auditing Standard (UK and Ireland) 580 requires the auditor to have received a Letter of Representation drawn up by the Council that provides written confirmation on matters that might be relevant or significant to the statement of accounts. This letter is signed as near as possible to the date of the auditor issuing his opinion. The auditing standard requires that the letter is 'discussed and agreed by those charged with governance and signed on their behalf..... to ensure that all those charged with governance are aware of the representations on which the auditor intends to rely in expressing the auditor's opinion on those financial statements'. Ernst and Young therefore requires the Letter of Representation to be signed by the Head of Finance and by the Chair of Civic Affairs Committee. A draft of the letter based on that provided last year is included at Appendix B.

### **4. CHANGES TO THE ACCOUNTS SINCE CIVIC AFFAIRS REVIEW IN JUNE**

- 4.1 To date, one change has been made to the Statement of Accounts. In collating evidence for a sample of transactions, officers identified that the value of capital expenditure estimated for two housing redevelopments was misstated by a total of £782k as a result of a

double counting of some creditors at the year end. To put this figure into context, additions to assets under construction in 2015/16 exceed £30million. This error arose as a result of generating the entries on housing redevelopments simultaneously with the manual creditors process and earlier in the closedown period. We have already determined a process change for 2016/17.

- 4.2 The impact of this adjustment is to reduce the value of Property, Plant and Equipment and short term creditors by £782k. To reflect the change in estimated capital expenditure, usable reserves have increased by £782k (£175k in the capital receipts reserve and £607k in the Major Repairs Reserve). These changes are reflected in the balance sheet and Movement in Reserves Statement in the attached accounts, as well as relevant notes to the accounts.
- 4.3 The Council has discussed including a non-adjusting post balance sheet event note in the accounts in respect of the result of the EU referendum with the external auditors. As the Brexit vote was after the end of the financial year, this note would simply be a short narrative highlighting the possible impact, predominantly on property values. This note will be drafted close to the date the accounts are signed to ensure it reflects all available information.
- 4.4 Any further changes agreed to the draft version accounts will be highlighted to the Committee at the meeting.

## 5. **IMPLICATIONS**

- (a) **Financial Implications** Included in the report above
- (b) **Staffing Implications** None
- (c) **Equality & Poverty Implications** None
- (d) **Environmental Implications**

None. Paper copies of the Statement of Accounts and the Summary document will only be produced on request. Electronic versions will be available on the Council's website.

- (e) **Procurement** None
- (f) **Consultation and communication**

The accounts will be published on the Councils website. A notice advertising that the audit of the accounts has been concluded will be published in the Cambridge News and on the website.

(g) **Community Safety** None

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

Annual Report and Statement of Accounts 2015/16

To inspect these documents contact Charity Main on extension 8152

The author and contact officer for queries on the report is Charity Main on extension 8152 .

Report file:

Date originated: 24 August 2016

Date of last revision: 24 August 2016