

Corporate Committee 24 January 2019

Report title: 2018/19 Statement of Accounts – the Annual Audit Plan and Preparatory Activity

Wards: All

Portfolio: Cabinet Member for Finance: Councillor Andrew Wilson

Report Authorised by: Acting Strategic Director Corporate Resources: Christina Thompson

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Report summary

This report sets out the details of Mazar's proposed Audit Plan for the Council's financial statements for the year ending 31 March 2019, as set out in Appendix 1 for the Council's accounts and Appendix 2 for the Pension Fund.

The 2017/18 Annual Audit Letter from KPMG is also set out in this report, the details of which were reported to Corporate Committee as part of the ISA 260 report in July 2018.

Finance summary

There are no direct financial implications in agreeing the recommendations in this report.

Recommendations

1. That Corporate Committee notes and scrutinises the Audit Plan from Mazars that relates to the Council's 2018/19 financial accounts. This is set out in Appendix 1 for the Council's accounts and Appendix 2 for the Pension Fund.
2. That Corporate Committee notes the preparatory activity undertaken and underway by officers, as set out in the main report.
3. That Corporate Committee notes the Annual Audit Letter from KPMG that relates to the Council's 2017/18 financial accounts, as set out in Appendix 3.

1. CONTEXT

- 1.1 The purpose of the audit planning report is to set out to members key considerations of planning for this year's audit with a view to ensuring that the year-end activities can be managed smoothly.
- 1.2 The 2018/19 audit will be the first year for Mazars as the Council's auditors. It will be the second year under which the draft accounts have to be prepared to a shorter statutory deadline, the end of May 2019, with the audit to be completed in a shorter timeframe by the end of July 2018.
- 1.3 The 2017/18 Annual Audit Letter provides a summarised view from KPMG regarding the audit of the 2017/18 accounts. The detail has already been presented to Corporate Committee as part of the ISA 260 report in July 2018.

2. PROPOSAL AND REASONS

Main Risks to Note

- 2.1 The precise details of approach to be adopted by the auditors are laid out in appendix 1 and 2 to this report, but the most noteworthy are set out below.
- 2.2 The significant audit risks for the Council have been identified as the following:
 - a. ongoing risk of management override of controls, this is as per previous years, and so is business as usual;
 - b. valuation risk including the risk that the carrying value assets between five-yearly revaluation cycles may differ materially from their year end fair value
 - c. Pension Fund liability, this is as per previous years, and so is business as usual;
 - d. the redress scheme setup by the Council for historic child abuse;

Preparatory Activity for 2018/19

- 2.3 A revised closedown timetable was drafted in November that reviewed actions and processes from last year. Key dates include:

Action	Date
Last 1819 Payment Run	22 nd March 2019
End of Financial Year	31 st March 2019
Last day for 1819 Journals	5 th April 2019
First Draft of Accounts and QA Process begins	7 th May 2019
Statutory Deadline for Publication of Accounts	31 st May 2019
Statutory Deadline for Approval of Accounts by Corporate Committee	31 st July 2019

- 2.4 Workshops were held across Finance in January 2019 to prepare accountants for the earlier closing deadlines and to review areas of work where tasks could be completed earlier.
- 2.5 There has been early engagement with Mazars particularly on accounting for the redress scheme. Mazars have also held meetings with key staff across the Council including the Revenues team, Schools finance team, Financial Transaction Services and Payroll to gain an understanding of key processes within the Council.

- 2.6 Officers have also engaged with Mazars to work toward progressing as much of the audit work as possible during the interim audit in February and as early as possible in the audit period months of June and July.

3. FINANCE

- 3.1 There are no direct financial implications in agreeing the recommendations in this report.

4. LEGAL AND DEMOCRACY

- 4.1 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b. ensures that the financial and operational management of the authority is effective; and,
 - c. includes effective arrangements for the management of risk.
- 4.2 Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 4.3 There were no additional comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 Although the Statement of Accounts is a statutory document whose format is dictated by statute and regulation, it is produced as a result of the input of officers from across the Council.

6. RISK MANAGEMENT

- 6.1 None for the purposes of this report.

7. EQUALITIES IMPACT ASSESSMENT

- 7.1 None for the purposes of this report.

8. COMMUNITY SAFETY

- 8.1 Not considered for the purposes of this report.

9. ORGANISATIONAL IMPLICATIONS

- 9.1 None for the purposes of this report.

10. TIMETABLE FOR IMPLEMENTATION

- 10.1 The 2018/19 reporting cycle opens formally with this report, and will be continued with completion and sign-off of the draft Statement of Accounts in May, and completion of audit in July.

Audit trail				
Consultation				
Name/Position	Lambeth directorate/division or partner	Date Sent	Date Received	Comments in para:
Councillor Andrew Wilson	Cabinet Member for Finance	15.01.19	15.01.19	
Alison McKane, Director of Legal Services	Corporate Resources	15.01.19	15.01.19	
Christina Thompson, Acting Strategic Director Corporate Resources	Corporate Resources	15.01.19	16.01.19	
David Rose, Democratic Services	Corporate Resources: Corporate Affairs	15.01.19	15.01.19	

Report History	
Original discussion with Cabinet Member	N/A
Report deadline	11.01.19
Date final report sent	16.01.19
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A
Background information	The Statement of Accounts is drawn up by reference to the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy.
Appendices	Appendix 1: Mazhars Audit Plan 2018/19 Main Accounts Appendix 2: Mazhars Audit Plan 2018/19 Pension Fund Appendix 3: KPMG Annual Audit Letter 2017/18