

Gloucester City Council

Meeting:	Audit & Governance Committee	Date:	23rd September 2013
Subject:	ISA 260 - Report to those charged with governance 2012/13		
Report Of:	Corporate Director of Resources		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Peter Gillett, Corporate Director of Resources		
	Email:	Peter.Gillett@gloucester.gov.uk	Tel: 396430
Appendices:	1. Report to those charged with governance (ISA 260) 2012/13 , KPMG, 19 th September 2013		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To provide members with a copy of the report produced by KPMG on 19th September 2013.

2.0 Recommendations.

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that:-
- (1) To note the ISA 260 report to those charged with governance, and
 - (2) To note the improvements made since the previous external audit process and to agree that the recommended actions identified in the ISA 260 report are included in the Council's on-going Financial Services Improvement Plan.

3.0 Background and Key Issues

- 3.1 The external auditor is required to produce an annual report to "those charged with governance" at the council. The ISA 260 report attached as Appendix 1 essentially summarises the key issues identified by KPMG during the audit of the City Council's financial statements for 2012/13 and provides the auditors' assessment of the City Council's arrangements to secure value for money in its use of Resources.

- 3.2 Members will be aware of the well documented issues in relation to the production, sign-off and audit of previous financial statements, particularly for 2011/12.
- 3.3 It is pleasing to note the report commends the council for improvements seen over the last year, and confirms that KPMG anticipate issuing an unqualified audit opinion on the City Councils financial statements by 30th September 2013, and based on the improvements put in place since the previous audit, also anticipate issuing an unqualified Value for Money Conclusion by 30th September 2013. This follows completion of the first full draft set of accounts before 30th May, and certification by myself as Director of Resources on the pre-audit statements before the deadline of 30th June 2013.
- 3.4 The on-site audit of the council's financial statements for 2012/13 commenced on 22nd July and finished on Thursday 8th August. This was followed by a period of off-site review by the external audit team, culminating in a final audit closure meeting on 11th September 2013.
- 3.5 The report also identifies audit differences and critical accounting matters as well as highlighting key issues and recommendations.
- 3.6 The report highlights only 4 'key issues and recommendations'. These are included in page 22 of the appended report, along with the management response from the City Council.
- 3.7 It is proposed that these 4 recommendations are included in the City Council's on-going Financial Services Improvement Plan. Audit and Governance Committee are asked to endorse this approach and review progress against the recommendations as part of the routine monitoring of the plan now established as a standing agenda item at each meeting.
- 3.8 Members will also note that the report also includes a follow-up of prior year recommendations. These have all been included in the Financial Services Improvement plan - progress of which has been discussed at previous meetings of the committee. It should be noted that 18 of those 22 previous recommendations have been dealt with, and the remaining 4 are work in progress already underway - and are on target to be delivered within the agreed timescales. The Financial Services Improvement Plan, which includes these areas, will be considered at Agenda item 15 of this meeting.

4.0 Alternative Options Considered

- 4.1 Not applicable.

5.0 Reasons for Recommendations

- 5.1 There is a legal requirement for the council to receive an annual report to 'those charged with governance' at the council.

5.2 Implementing the recommendations of KPMG's ISA 260 report, represents part of the council's on-going improvements in its financial management arrangements.

6.0 Future Work and Conclusions

6.1 In the Annual Governance Statement, I have identified the need for on-going improvements in Financial Management at the council. As such, the Committee have previously agreed to adopt a review of the Financial Services Improvement Plan as a standing item at future meetings.

6.2 The latest ISA 260 recommendations will also be built into the improvement plan. Indeed, the ISA 260 report itself confirms that KPMG "*support the Director of Resources' intention to maintain the current arrangements involving regular comprehensive monitoring against the Finance Improvement Plan*".

7.0 Financial Implications

7.1 As detailed in this report.

8.0 Legal Implications

8.1 Accounts and Audit Regulations require the Council and its External Auditor to have completed the audit of the annual financial statements by 30th September, and for the auditor to issue an annual report to "those charged with governance".

9.0 Risk & Opportunity Management Implications

9.1 Delays in response to acceptance/implementation of audit recommendations could lead to weaknesses in systems or processes, with a potential for fraud and error to occur.

10.0 People Impact Assessment (PIA):

10.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety/Sustainability/Staffing & Trade Union

11.1 There are no community safety, sustainability or staffing/Trade Union implications arising out of this report.

Background Documents:

Report to those charged with governance (ISA 260) 2012/13
KPMG 19th September 2013 (Appended to this report)