

## REPORT ON THE RESULTS OF AUDITORS' WORK 2016/17

### SUMMARY AND RECOMMENDATIONS:

**SUMMARY:** This report summarises the results of audit work performed on Local Government bodies in 2016/17 audit cycle.

### RECOMMENDATION:

- (i) Licensing and General Purposes Committee to note the audit result report issued by the Public Sector Audit Appointments Limited (PSAA) on 2016/17 financial year as issued in Appendix 1.

## 3 INTRODUCTION

1.1 Up to and including 2017/18 audit of accounts the Public Sector Audit Appointments Limited (PSAA) is responsible for delivering a statutory function delegated on a transitional basis by the Secretary of state for Communities and Local Government (CLG) (now Ministry of Housing, Communities & Local Government (MHCLG)). Under these arrangements, put in place in 2015, PSAA is responsible for appointing auditors to local government and police bodies, for setting and producing an annual report on the results of auditor's work at local government. The annual report on results of auditor's work focuses on the following:

- Timeliness of issuing audit opinions,
- Results of audit work

1.2 PSAA will continue to publish the annual report on the results of auditor's work on local government bodies. An understanding of the annual report will help the committee assess the performance of Rushmoor Borough Council auditors.

## 2 TIMELINESS OF AUDIT OPINIONS

2.1 For financial year 2016/17, the statutory deadline for issuing opinions of the accounts for local government bodies was 30 September 2017. For financial year 2017/18, the statutory deadline has moved forward by two months to 31 July 2018. To model the shorter period in 2017/18 the auditors' result report

has recorded the percentage of unqualified opinions issued at 31 July and 30 September for 2016/17 and 2015/15 financial year as shown in table 1 below.

Table 1: Local government issued accounts for 2016/17 and 2015/16

Financial year	Number of bodies	Number issued by 31 July	Percentage issued by July	Number issued by 30 September	Percentage issued by 30 September
2015/16	490	49	10	470	96
2016/17	357	83	17	331	92

2.2 Auditors were unable to issue opinion on 27 bodies by the statutory deadline in 2016/17 for the following reasons:

- Draft accounts submitted late for audit
- Various errors identified during the audit
- Insufficient availability of staff at the audited body to support the audit; and
- Technical accounting issues

### 3 AUDIT RESULTS – FINANCIAL STATEMENTS

3.1 Auditors can issue five types of audit opinion (Table 2) on financial statements. Opinions other than unqualified are known as a non-standard opinion.

Table 2: Type of audit opinion

Type of conclusion	Description
Unqualified	Financial statement give a true and fair view, in all material respects, in accordance with the identified financial reporting
Non-standard conclusions	
Qualified “except for” – limited scope	Financial statements give a true and fair view, except for the effect of a matter where the auditor is unable to obtain sufficient evidence.
Qualified “except for” – disagreement	Financial statements give a true and fair view, except for the effect of a matter where there is material disagreement between the auditor and audited body about a matter is treated in the financial statements.
Adverse opinion	A disagreement that is so material, or pervasive, the financial statements as a whole are misleading or incomplete
Disclaimer of opinion	Audit not able to express an opinion, as they cannot obtain evidence to such an extent that the financial statements as a whole could be misleading or incomplete.

3.2 In the financial year 2016/17, no non-standard reports were issued at local government bodies.

#### 4 AUDIT RESULTS – VALUE FOR MONEY

4.1 Auditors can issue three types of conclusions (Table 3) on the arrangements to secure value for money.

Table 3: Types of conclusion on the arrangements to secure value for money

Type of conclusion	Description
Unqualified	Auditor is satisfied they have sufficient evidence the body made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in use of resources.
Non-standard conclusions	
Qualified except for	Auditor is satisfied that the body made arrangements to secure economy, efficiency and effectiveness in use of resources, in all significant respects except for weakness(es) that are significant to warrant reporting but limited to specific issues or areas.
Adverse	Auditor is not satisfied that the body has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Weaknesses identified are significant in terms of impact or numerous in terms of number of different aspects of proper arrangements affected.

4.2 In the financial year 2016/17, 30 non-standard conclusions were reported at audited bodies. The most common reasons for issuing a non-standard conclusion in 2016/17 were:

- Impact of issues identified in the reports of statutory inspectorates
- Corporate governance issues
- Financial stability

#### 5 AUDIT RESULTS – WIDER SCOPE

5.1 Schedule 7 of the Local Audit and Accountability Act 2014 sets out two requirements for auditors to consider:

- Public interest reports
- Statutory recommendations

5.2 Public interest reports should be raised on matters that relate to the audited body or entity connected with the audited body, coming to the auditors' attention during the audit that requiring bringing to the public's attention. No public interest reports were raised in 2016/17.

5.3 Auditor may make a written recommendation to an audited body or entities connected to the audited body so that the recommendation can be considered within the requirements of schedule 7. Three Councils received recommendations in the financial year 2016/17

Appendix 1 contains the PSAA report on the results of auditors' work 2016/17 – Local government bodies.

## **6 CONCLUSION**

6.1 This report informs members of the results of audits in the financial year 2016/17 and the types of audit opinion that can be issued.

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