

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDWAY COUNCIL FOR THE YEAR ENDED 31 MARCH 2016

### Issue of audit opinion on the accounting statements

In our audit report for the year ended 31 March 2016 issued on 30 September 2016 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Medway Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Since issuing that audit report we have issued our audit report on the Council's financial statements for the year ended 31 March 2017. As part of our audit of those financial statements, it was discovered that the accounting treatment relating to the inclusion of capital expenditure for two Academy Schools within the Council's Balance Sheet was incorrect. It was concluded that the capital expenditure should have been treated as revenue expenditure funded from capital under statute (REFCUS). As a result, the opening and closing balances for property, plant and equipment in the 2015/16 financial statements were overstated, with consequent impacts on related expenditure. If we had been aware of this issue at the time of the issue of our audit report on the 2015/16 financial statements and necessary corrections had not been made, we would not have been able to issue an unqualified opinion on the financial statements. The issue would not have affected our Value for Money (VFM) conclusion. This issue was addressed by way of prior period adjustments made in the final audited 2016/17 financial statements.

The following tables, which were included in the notes to the 2016/17 financial statements, explain the material differences between the amounts originally presented in the 2015/16 financial statements and the related amounts presented in the 2016/17 financial statements.

<b>2015/16 Movement in Reserves</b>	<b>2015/16 Statements</b>	<b>Adjustments made</b>
	<b>£'000</b>	<b>£'000</b>
Total comprehensive expenditure and income - General Fund	(95,813)	2,343
Adjustments between accounting basis and funding basis under regulations - General fund	92,772	(2,343)
Adjustments between accounting basis and funding basis under regulations - Unusable reserves	(61,890)	2,343
 <b>2015/16 Comprehensive Income and Expenditure Statement</b>	 <b>2015/16 Statements</b>	 <b>Adjustments made</b>
	<b>£'000</b>	<b>£'000</b>
Children's and education services - expenditure	221,514	(2,343)
Net cost of services	212,296	(2,343)

Opening 1 April 2015 Balance Sheet	2015/16	Adjustments
	Statements	made
	£'000	£'000
Property Plant & Equipment	758,212	(55,797)
Revaluation Reserve	256,480	(55,797)
<hr/>		
31 March 2016 Balance Sheet	2015/16	Adjustments
	Statements	made
	£'000	£'000
Property Plant & Equipment	733,860	(53,454)
Revaluation Reserve	258,310	(53,454)

#### Issue of value for money conclusion

As stated in our audit report for the year ended 31 March 2016 issued on 30 September 2016, we reported that we were satisfied that, in all significant respects, Medway Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

#### Certificate of completion of the audit

In our report dated 30 September 2016, we explained that the audit could not be formally concluded until we had completed the work necessary in respect of an objection to the accounts received from a local government elector relating to the lawfulness of Lender Option, Borrower Option (LOBO) loans and until we had issued our assurance statement in respect of the Council's Whole of Government Accounts. These matters have now been dealt with. The resolution of the objection had no impact on our opinion on the financial statements or the VFM conclusion. Other than the issue with the school's capital expenditure noted above and addressed by way of prior period adjustments in the financial statements for the year ended 31 March 2017, no other matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion or on our VFM conclusion.

We certify that we have completed the audit of the accounts of Medway Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



David Eagles  
For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

1 November 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)