

**Report of** the Deputy Chief Executive

**Report to** Corporate Governance and Audit Committee

**Date:** 28<sup>th</sup> January 2016

**Subject:** KPMG Annual Audit Letter 2014/15

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. In accordance with proper audit practice, KPMG have issued their Annual Audit Letter 2014/15, which gives a summary of the key audit findings for the financial year. The Annual Audit Letter is attached as **Appendix 1**. The letter concludes that KPMG have been able to provide unqualified opinions in respect of all the areas they are required to assess.

### Recommendations

2. Members are asked to receive the Annual Audit Letter and note the conclusions and recommendations arising from the 2014/15 external audit process.

## **1 Purpose of this report**

- 1.1 To provide a summary of the key external audit findings in respect of the 2014/15 financial year.

## **2 Background information**

- 2.2 Section 4 of the Code of Audit Practice 2010 for Local Government bodies requires external auditors to issue an Annual Audit Letter. The purpose of preparing and issuing annual audit letters is to communicate to the audited body and external stakeholders, including members of the public, the key issues arising from auditors' work. The annual audit letter should cover the work carried out by auditors since the previous annual audit letter was issued and matters previously reported to those charged with governance.

## **3 Main issues**

- 3.1 During the year KPMG issued an unqualified opinion on the Council's arrangements for securing value for money. They identified the level of general reserves as a key risk, and therefore reviewed the council's financial plans. They concluded that despite the difficult financial position, the assumptions in the medium term financial plan appeared reasonable and hence there was evidence of effective arrangements to secure financial resilience.
- 3.2 KPMG also issued an unqualified opinion on the 2014/15 Statement of Accounts, and concluded that the council's Whole of Government Accounts return was consistent with the audited accounts. No high priority recommendations were raised as a result of the audit work on the annual accounts.
- 3.3 KPMG's review of the council's Annual Governance Statement found that it was consistent with their understanding.
- 3.4 At the time that this report was issued to the council in October, KPMG's grant audit work was still in progress. That work has since been completed, and the outcome is presented as a separate report on this agenda. The total audit fees for the year were £332.9k (£309.3k for the main audit fee and £23.6k for grant audit work).

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The annual audit letter does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

### **4.3 Council policies and Best Council Plan**

4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts.

#### **4.4 Resources and value for money**

4.4.1 KPMG's report includes their opinion as to whether the Council has proper arrangements for securing value for money.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 Under Section 4 of the Code of Audit Practice 2010 for Local Government bodies, external auditors are required to issue an Annual Audit Letter summarising the main audit findings in relation to the financial year.

4.5.2 As this is a factual report based on past external audit reports none of the information enclosed is deemed to be sensitive or requesting decisions going forward, and therefore raises no issues for access to information or call in.

#### **4.6 Risk Management**

4.6.1 KPMG identified the level of general reserves as a key risk. They reviewed the council's financial plans and concluded that there was evidence of effective arrangements being in place to mitigate this risk. They have not identified any other significant risks in their recommendations.

### **5 Conclusions**

5.1 There are no major issues arising from the work of external audit, and officers continue to actively implement any recommendations raised in the reports.

### **6 Recommendations**

6.1 Members are asked to receive KPMG's Annual Audit Letter and to note the conclusions and recommendations arising from the 2014/15 audit process.

### **7 Background documents<sup>1</sup>**

7.1 None.

---

<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.