

Report of the Chief Finance Officer

Report to Corporate Governance and Audit Committee

Date: 22nd January 2018

Subject: KPMG Annual Audit Letter 2016/17

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 2016/17, 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.
2. The Annual Audit Letter also notes that a final audit certificate for the 2016/17 audit has not yet been issued, due to work on an elector objection being not yet concluded.

Recommendations

3. Members are asked to receive the Annual Audit Letter and note the conclusions and recommendations arising from the 2016/17 external audit process.

1 Purpose of this report

- 1.1 To provide a summary of the key external audit findings in respect of the 2016/17 financial year.

2 Background information

- 2.1 Section 4 of the Code of Audit Practice for public sector 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.
- 2.2 The Annual Audit Letter summarises the work carried out by auditors and the matters which have been reported to those charged with governance during the year.

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 financial resilience as a key risk, and therefore reviewed the council's financial planning processes and the way it manages its savings plans. They concluded that the authority had demonstrated effective management of the level of its reserves in recent years, despite budgetary pressures. Overall, they concluded that the Council had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 3.2 KPMG also issued an unqualified opinion on the 2016/17 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 However a final certificate has not yet been issued for the 2016/17 audit, as work on an elector objection has not yet been concluded.
- 3.4 KPMG's review of the council's Annual Governance Statement found that it was consistent with their understanding of the council.
- 3.5 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 £249.6k (£231.9k for the main audit fee and £17.7k 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 for public sector 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 financial resilience as a key risk. They reviewed the council's financial plans and concluded that there was evidence of adequate 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 will continue to address any recommendations raised in the reports.

5.2 KPMG are working to finalise their response to the elector objection and will issue a final audit certificate once this work has been concluded.

6 Recommendations

6.1 Members are asked to receive KPMG's Annual Audit Letter and to note the conclusions and recommendations arising from the 2016/17 audit process.

7 Background documents¹

7.1 None.

¹ 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.