

**Report of the Director of Resources**

**Report to Corporate Governance and Audit Committee**

**Date: 23<sup>rd</sup> January 2012**

**Subject: KPMG report – Annual Audit Letter 2010/11**

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 line with proper audit practice, KPMG have issued a summary of the key audit findings for the 2010/11 financial year (**see Appendix 1**). The report concludes that the auditors have been able to provide unqualified opinions in respect of all the areas they are required to assess.
2. In addition, as reported in previous audit reports to this Committee, there are two audit recommendations which have been made in respect of 2011/12. Namely, the requirement to monitor the Medium Term financial Plan and to ensure the Council maintains an appropriate policy for componentising it's assets.

**Recommendations**

3. Members are asked to note the conclusions and recommendations arising from the 2010/11 external audit process.

## **1 Purpose of this report**

- 1.1 To provide a summary of the key external audit findings in respect of the 2010/11 financial year.

## **2 Background information**

- 2.1 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 Members should note the assurances KPMG give in respect of:
- An unqualified Value for Money conclusion;
  - The Annual governance Statement complies with proper practice and is not inconsistent with other information they are aware of from the audit of the financial statements; and
  - An unqualified audit opinion on the 2010/11 Statement of Accounts.
- 3.2 The report also highlights two key risks for 2010/11, namely the need for the Council to continually monitor its Medium Term Financial Plan and take appropriate early intervention to manage any financial pressures; and to ensure the Council maintains an appropriate policy for componentising its assets.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 This is a factual report based on evidence provided by the external auditors and consequently no public, Ward Member or Councillor consultation or engagement has been sought.

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

- 4.2.1 This is a factual report based on evidence provided by the external auditors and has no direct implications for equality, diversity, cohesion and integration.

### **4.3 Council Policies and City Priorities**

- 4.3.1 As this is a factual report based on evidence provided by the external auditors there are no direct implications for Council policies or City priorities.

#### **4.4 Resources and Value for Money**

4.4.1 As this is a factual report based on evidence provided by the external auditors there are no direct implications for resources. The report does however include an audit opinion on 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 evidence provided by the external auditors 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 All recommendations contained within the 2010/11 external audit reports have been considered and appropriate actions agreed. In particular, External Audit did identify a key risk in their recommendation in respect of the Council's budget monitoring. This risk has been included in the risk register and this Committee is not requested to make any decisions in relation to this issue.

### **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 note the conclusions and recommendations arising from the 2010/11 audit process.

### **7 Background documents**

7.1 KPMG Financial Statements and VFM Audit Plans 2010/11

7.2 KPMG Interim Audit

7.3 KPMG ISA 260 Report 2010/11