



Report for: INFORMATION
Item Number:

Contains Confidential or Exempt Information	NO
Title	External Audit Reports and Annual Letter
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Portfolio	Finance and Performance, Cllr Yvonne Johnson
For Consideration By	Audit Committee
Date to be considered	23 January 2014
Implementation Date if Not Called In	N/A
Affected Wards	All
Area Committees	N/A
Keywords/Index	Audit, Control, KPMG

Purpose of Report:
 The Council's external auditors, KPMG, have prepared the Annual Audit Letter, progress report and grants report as shown in the attached Appendices. The audit letter summarises the key findings from the 2012/13 audit of the Statement of Accounts, showing the Council received an unqualified opinion on its financial statements.
 The progress report outlines progress with delivery of the Audit Commission's responsibilities as appointed auditor and the grants reports summaries the findings from the work on grants for the year ended 2012/13.

1. Recommendation

- 1.1. It is recommended that the Committee notes
- The external auditors Annual Audit letter in respect of the 2012/13 audit of the Statement of Accounts (Appendix 1)
 - The audit grant claims report including the recommendations to achieve further accuracy in grant claims submitted to government (Appendix 2); and
 - The 2013/14 audit progress report (Appendix 3)

2. Reason for Decision and Options Considered

2.1 This is a report for information; no decision is required.

3. Key Implications

3.1 KPMG replaced the Audit Commission as Ealing's external auditors on 1 November 2012. Under the Code of Audit Practice, appointed auditors are required to comply with the current professional standards. Appointed auditors act quite separately from their organisation and in meeting their statutory responsibilities are required to exercise their professional judgement independently of the audited body. KPMG will attend the Committee to introduce the above report and respond to questions

3.2 External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services. Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of their work covers the audit of financial statements, value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

3.3 Members are advised that as set out in **Appendix A** (the Annual Audit letter) for the first time there were no recommendations raised in the audit of the Authority's financial statements and only one (a best practice recommendation) for the Pension Fund. Key findings reported are:

- Unqualified opinions on the council's statements of accounts and on the pension fund accounts for the year ended 31 March 2013 and also an unqualified value for money conclusion.
- There are robust systems in place to meet the potential funding reductions while delivering services and maintaining financial stability.
- The audit was completed with no material adjustments and only a small number of non-trivial adjustments, most of which were of a presentational nature, which had no impact on the General Fund balances.
- For the first time there were no recommendations for future improvements to the Council's accounts.

3.4 **Appendix B** summarises the main issues arising from the certification of grant claims for the financial year ending 31 March 2013.

3.5 The external auditors noted that all four claims were submitted by the audited deadline and although a number of amendments were required, the external auditor reports that none of these were significant.

3.6 KPMG issued unqualified certificates for two grants and returns, and issued qualifications in respect of the housing and council tax benefits claim and the teachers' pensions return.

3.7 Members are advised that KPMG consider that the Council has adequate arrangements for preparing its grants and returns and supporting their certification work with the following improvements recommended:

- Review the controls over the accuracy of information used to calculate housing benefits; and
- Strengthen arrangements for the production of the teachers' pension return, particularly ensuring that claim entries can be derived from systems in line with scheme guidance.

3.8 Officers have considered and accept the recommendations of the external auditors to achieve further improvements to the accuracy of the grant claims submitted to government departments

3.9 Appendix 3 represents the initial progress report for the 2013/14 external audit. It is a short report setting out what preparatory work is being undertaken and is about to be done and also includes any items of interest for the Audit Committee's information.

4. Financial

4.1 The audit fees for 2012/13 as set out in Appendices A and B are as follows:

	Budget £	Actual £
Audit of Council Accounts	219,510	223,510
Audit of Pension Fund	21,000	21,000
Certification of grant claims	52,700	To be confirmed
Questions and objections from the public	Nil	To be confirmed

4.2 A small increase of £4,000 in the main audit fee relates to a new PFI scheme (Building Schools for the Future) coming onto the balance sheet that KPMG needed to undertake additional work on. It is a one year only increase in fee.

4.3 On the fee for the certification for grant claims which is to be confirmed KPMG have advised that the final fee for this claim needs to be agreed with the Audit Commission however they are expecting it to be lower than the initial estimate with a reduction in the fee for Housing benefits due to help from the Council on the initial testing.

4.4 There will be a fee for additional work required to be carried out by the Auditors on an objection to the accounts raised by a member of the public. The fee for grant certification will be confirmed once this work has been completed.

5. Legal

5.1 The Accounts and Audit (England) Regulations 2011 require that, as soon as reasonably possible after receipt of the annual letter from the auditor, the members of the Committee must meet to consider it and following that consideration must:

- (a) publish the annual audit letter received from the auditor; and
- (b) make copies available for purchase by any person on payment of such sum as the Council may reasonably require.

6. Value For Money (VFM)

- 6.1** The external auditors have issued an unqualified VFM conclusion confirming the Council has proper arrangements to secure economy, efficiency and effectiveness in the way resources are used.

7. Risk Management

- 7.1** KPMG's audit letter comments that the Medium Term Financial Strategy is sufficiently robust to manage risk and assist the Council in delivering services whilst maintaining financial stability.

8. Community Safety

- 8.1** Not applicable.

9. Links to Strategic Objectives

- 9.1** The issues outlined in this report are linked to the Council's objective 'Becoming a high performing organisation, focused on the needs of its communities'.

10. Equalities and Community Cohesion

- 10.1** No identified need for the completion of an Equality Impact Assessment.

11. Staffing/Workforce and Accommodation implications:

- 11.1** Not applicable

12. Property and Assets

- 12.1** Not applicable

13. Any other implications:

- 13.1** None

14. Consultation

- 14.1** As per attached table

15. Timetable for Implementation

- 15.1** None

16. Appendices

Appendix 1: KPMG letter in respect of the 2012/13 audit

Appendix 2: KPMG grant claims report 2012/13

Appendix 3: KPMG progress report 2013/14

17. Background Information

Financial Statements

http://www.ealing.gov.uk/downloads/download/2528/statement_of_accounts

Consultation

Name of consultee	Department	Date sent to consultee	Date response received	Comments appear in report para:
Maria G Christofi	Director of Finance		10.1.14	Throughout

Report History

Decision type: Urgency item?

For information No

Report no.:	Report author and contact for queries:
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