



Report for: INFORMATION
Item Number:8

Contains Confidential or Exempt Information	NO
Title	Annual Audit Letter & Audit Progress Update
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Portfolio	Cllr Yvonne Johnson – Finance, Performance & Customer Services
For Consideration By	Audit Committee
Date to be considered	29 November 2016
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 concluded their audit of the 2015/16 accounts and have prepared the Annual Audit Letter for the Council which is appended to this report (Appendix 1).

The Annual Audit Letter summarises the key findings from the audit of the 2015/16 Statement of Accounts and highlights the fact that the Council received an unqualified opinion for its Statement of Accounts.

KPMG are in attendance at this Committee meeting and will present to the Committee regarding the 2016/17 Audit Progress (Appendix 3)

1. Recommendation

1.1. It is recommended that the Committee notes:-

- The external auditors Annual Audit letter in respect of the 2015/16 audit of the Statement of Accounts (Appendix 1)
- The 2016/17 Audit Progress (Appendix 3)

2. Reason for Decision and Options Considered

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

3. Key Implications – Annual Audit Letter

3.1 KPMG is the Council's external auditors and under the Code of Audit Practice, appointed auditors are required to comply with the current accounting and audit standards. Appointed auditors act 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 accordingly.

3.2 External audit is an essential element in the process of governance of public money and makes an important contribution to the stewardship of public resources and the corporate effectiveness of the public service. 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
- auditors may report aspects of their work widely to the public and other key stakeholders.

3.3 Members of the Audit Committee are advised that the Annual Audit Letter is set out in **Appendix 1**. The key findings reported in this letter are:-:

- Unqualified opinion given on the Council's Statements of Accounts and on the Pension Fund accounts for the year ended 31 March 2016. Also an unqualified value for money conclusion.
- The Council had an accelerated closedown in 2015/16 and achieved the closedown of the accounts 8 days earlier than the previous year with the accounts made available for audit on 1 June 2016. This was 4 weeks ahead of the statutory 30 June 2016.
- KPMG were able to issue their unqualified audit opinion on 29 July 2016. This was approximately six weeks earlier than the previous year. The Audit Certificate (signifying the close of audit) was issued on 19 October 2016. The audit certificate signifies the complete conclusion of the audit. The certificate is set out in Appendix 2.
- The Whole of Government Accounts was also considered consistent with the overall Council's financial statements
- The Annual Governance Statement was also concluded as consistent with KPMG's understanding and view.
- There were no significant issues arising from the audit of the Pension Fund.

4. Key Implications – External Audit Progress update

4.1 As part of the Code of Audit Practice, KPMG provides an update on audit progress. KPMG are in attendance at this Committee meeting and will verbally update progress. A report is provided in Appendix 3.

5. Financial implications

5.1 The cost of the audit for 2015/16 is set out below:

	Budget	Actual
	£	£
Audit of Council Accounts	166,583	168,475
Audit of Pension Fund	21,000	21,000
Certification of grant claims	6,000*	6,000*
	193,583	195,475

*Only includes Teachers Pensions, full costs to be declared on certification of outstanding claims

5.2 In terms of the main audit fee of £166,583, there was a small increase in this fee of £1,892 for additional work relating to the additional testing of certain controls around bank reconciliations and journals.

5.3 The full fee for the certification of grant claims will be made available when the outstanding grants have been completed.

6. Legal

6.1 The Accounts and Audit (England) Regulations 2015 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.

7. Value For Money (VFM)

7.1 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.

8. Risk Management

8.1 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.

9. Community Safety

9.1 Not applicable.

10. Links to Strategic Objectives

10.1 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'.

11. Equalities and Community Cohesion

11.1 No identified need for the completion of an Equality Impact Assessment.

12. Staffing/Workforce and Accommodation implications:

12.1 Not applicable

13. Property and Assets

13.1 Not applicable

14. Consultation

14.1 As per attached table

15. Appendices

Appendix 1: Annual Audit Letter 2015/16

Appendix 2: Audit Certification 2015/16

Appendix 3: KPMG 16-17 Nov Progress Report

16. Background Information

Financial Statements

https://www.ealing.gov.uk/info/201041/council_budgets_and_spending/338/state_ment_of_accounts

Consultation

Name of consultee	Department	Date sent to consultee	Date response received	Comments appear in report para:
Cllr Yvonne Johnson	Finance, Performance & Customer Service	18-11-16		
Ian O'Donnell	Executive Director of Corporate Resources	18-11-16		
Catherine Taylor	Head of Legal (Litigation and Contracts)	16-11-2016	17-11-2016	
Ross Brown	Director of Finance	16-11-2016	17-11-2016	
Maria Campagna	Strategic Finance Partner – Corporate	15-11-2016	16-11-2016	3.3