

Contains Confidential or Exempt Information	NO
Title	Annual Audit Letter & Progress Report (KPMG)
Responsible Officer(s)	Ross Brown, Director of Finance
Author(s)	Maria Campagna, Head of Corporate Finance
Portfolio(s)	Cllr Bassam Mahfouz, Cabinet Member for Finance & Leisure Services
For Consideration By	Audit Committee
Date to be Considered	28 November 2018
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	Audit, Control, KPMG

Purpose of Report:

The Council's external auditors, KPMG, have concluded their audit of the 2017/18 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 2017/18 Statement of Accounts and highlights the fact that the Council received an unqualified opinion for its Statement of Accounts.

KPMG have also provided an update for the Committee on their remaining 2017/18 audit work (Appendix 2).

1. Recommendations

1.1 It is recommended that the Committee notes:

- The external auditors' Annual Audit Letter in respect of the 2017/18 audit of the Statement of Accounts (Appendix 1)
- The External Audit Update Report (Appendix 2)

2. Reason for Decision and Options Considered

2.1 This report is for information only, no decision is required

3. Key Implications - Annual Audit Letter

- 3.1 KPMG are the Council's external auditors in respect of the 2017/18 financial year and under the Code of Audit Practice, appointed auditors are required to comply with current accounting & audit standards. Appointed auditors act separately from the organisation and in meeting their statutory responsibilities are required to exercise their professional judgement independently of the audited body.
- 3.2 External audit is an essential element in the process of governance of public services, making an important contribution to the stewardship of public resources and corporate effectiveness. Audit in the public sector is underpinned by three fundamental principles:
- Auditors are appointed independently from the body 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 KPMG's Annual Audit Letter for 2017/18 is set out in Appendix 1. The key findings are:
- Unqualified opinion on both the Authority's and the Pension Fund's Statement of Accounts for the year ended 31 March 2018.
 - The Audit Certificate, cannot be formally concluded due to the outstanding query received from a local elector relating to 2016/17 which is being considered by the auditors.
 - The Authority's Whole of Government Accounts pack was considered consistent with audited financial statements.
 - Unqualified conclusion on the Authority's arrangements to secure Value for Money (VFM) for 2017/18.
 - No high priority recommendations from the 2017/18 audit work were raised.

4. External Audit Update Report

- 4.1 KPMG have also provided an update on audit progress in concluding their final 2017/18 audit responsibilities and an update as to when a decision regarding the outstanding 2016/17 elector query should be reached. This report is provided in Appendix 2.

5. Financial

- 5.1 The cost of the audit for 2017/18 is set out below:

	2017/18 £	2016/17 £
Audit of Council Accounts	166,583	166,583
Audit of Pension Fund	21,000	21,000
Certification of Grant Claims *	6,500	6,000
TOTAL	194,083	193,583

* Includes Teachers Pension Return and Pooling of Housing Capital Receipts Return

5.2 These fees are in line with planned costs, however, due the objection to the Authority's 2016/17 accounts, an additional fee will be charged which will be agreed with the Council and Public Sector Audit Appointments Limited in due course.

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

7.1 The external auditors have issued an unqualified VFM conclusion confirming the Council had appropriate arrangements during the year to secure economy, efficiency and effectiveness in the use of its resources.

8. Sustainability Impact Appraisal

8.1 Not applicable.

9. Risk Management

KPMG's Audit Letter makes reference to the 2018/19 in-year forecast outturn overspend and notes the actions management are taking to reduce the forecast overspend and demand pressures.

10. Community Safety

10.1 Not applicable.

11. Links to Strategic Objectives

11.1 Effective financial reporting and audit arrangements support delivery of the Council's strategic priorities.

12. Equalities, Human Rights and Community Cohesion

12.1 The need for the completion of an Equality Analysis Assessment (EAA) was considered but not required.

13. Staffing/Workforce and Accommodation implications:

13.1 Not applicable.

14. Property and Assets

14.1 Not applicable.

15. Any other implications:

15.1 None.

16. Consultation

16.1 As per table below.

17. Appendices

Appendix 1: KPMG Annual Audit Letter 2017/18

Appendix 2: KPMG November 2018 External Audit Update Report

18. Background Information

18.1 Published Financial Statement of Accounts

https://www.ealing.gov.uk/downloads/download/4827/statement_of_accounts_201718

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Ross Brown	Director of Finance	15/11/18	16/11/18	Throughout
Catherine Taylor	Head of Legal (Litigation and Contracts)	15/11/18		
Ian O'Donnell	Executive Director of Corporate Resources	19/11/18		
Cllr Bassam Mahfouz	Finance, Performance & Customer Service	19/11/18		

Report History

Decision type:	Urgency item?
For information	No
Report no.:	Maria Campagna, Head of Corporate Finance Tel: 0208 825 9727 Email: campagnam@ealing.gov.uk