



**Report for:
INFORMATION**

Item Number: 8

Contains Confidential or Exempt Information	NO
Title	Annual Audit Letter & Audit Progress Report
Responsible Officer	Maria G Christofi, Director of Finance
Authors	Brian Thompson Head of Financial Control and Reporting Tel:0208825 7988. email thompsonb@ealing.gov.uk
Portfolio	Finance Performance and Welfare, Cllr Yvonne Johnson
For Consideration By	Audit Committee
Date to be considered	14 January 2015
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 2013/14 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 2013/14 Statement of Accounts and highlights the fact that the Council received an unqualified opinion for its Statement of Accounts.

KPMG will also present the audit progress report (Appendix 2).

KPMG are in attendance at this Committee meeting and will present these reports to the Committee.

1. Recommendation

1.1. It is recommended that the Committee notes:-

- The external auditors Annual Audit letter in respect of the 2013/14 audit of the Statement of Accounts (Appendix 1)
- The Audit Progress report (Appendix 2)

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 are 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 reports 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; and
- 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 2014. Also an unqualified value for money conclusion.
- The Council had an accelerated closedown in 2013/14 and achieved the closedown of the accounts two weeks earlier than the previous year with the accounts available for audit on 16 June 2014.
- The audit was completed with no material adjustments and only one unadjusted difference relating to the new accounting treatment for National Non Domestic Rates and this adjustment did not disadvantage the Council in terms of its overall financial standing.
- The Audit Certificate (signifying the close of audit) was issued on 23 September 2014 which was significantly earlier than last year. The audit certificate signifies the complete conclusion of the audit.
- 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 report

4.1 As part of the Code of Audit Practice, KPMG provides an update on audit progress and appended to this report (as Appendix 2) is their January External Audit Progress report. This report also updates the Committee on details of the audit work timetabled for 2015.

4.2 KPMG are in attendance at this Committee meeting and will present the report.

5. Financial implications

5.1 The cost of the audit for 2013/14 is set out below:

	Budget	Actual
	£	£
Audit of Council Accounts	225,000	222,110
Audit of Pension Fund	21,000	21,000
Certification of grant claims	42,500	40,388
Questions and objections from the public	Nil	1,464
	288,500	284,962

5.2 In terms of the main audit fee of £222,110, there was a small increase in this fee of £2,600 to cover work on National Non Domestic Rates, some of which was associated with the introduction of the new accounting framework for National Non Domestic Rates. There was also a minor fee added to this of £1,464 for additional work required to be carried out by the Auditors on an item raised by a local elector.

5.3 The fee for the certification of grant claims was £40,388 and included within this was an additional charge of £3,000 for the audit of the Teachers' Pension return. See separate report on this Committee agenda entitled "Certification of Grant Claims" which provides commentary on the 2013/14 grant claims.

6. Legal

6.1 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.

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: KPMG letter in respect of the 2013/14 audit

Appendix 2: KPMG audit progress report

16. 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 Christofi	Director of Finance			Throughout
Nigel Watson	Assistant Director of Finance			Throughout

Report History

Decision type For information and action	Urgency item? No
---	---------------------

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Cllr Yvonne Johnson			
Report no.:	Report author and contact for queries: Brian Thompson Head of Financial Control and Reporting (Interim) 020 8825 7988		

T:\CONTROL\CLOSING - FC\Closing 1415\Committees\Audit Committee\20150114\01
AnnualAuditLetterKPMG_Jan14.docxh