
8. EXTERNAL AUDIT 2015/16 ANNUAL REPORT (A1362/ RMM)

Purpose of the report

- 1 This report asks Members to consider the external auditors' (KPMG) 2015/16 annual report. John Cornett, Director of KPMG will be at the meeting to present his report. The related reports on the statement of accounts and annual governance statement follow.

Key Issues:

Key issues include:

- The External Auditor expects to give an unqualified audit opinion on the 2015/16 financial statements
- The External Auditor will also report that the Annual Governance Statement for 2015/16 complies with the guidance issued by CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives) and anticipates issuing an unqualified Value For Money (VFM) conclusion
- The External Auditor requires a signed copy of the management representation letter at Annex B prior to issuing his audit opinion

Recommendations

- 2 1. **That Members:**
- a) **Consider and note the External Auditor's report at Annex A**
 - b) **Note the letter of management representation at Annex B to be signed by the Chair of Audit Resources and Performance Committee and the Chief Finance officer**

How does this contribute to our policies and legal obligations?

- 3 The work of the external auditors is a key part of our governance arrangements and helps us to monitor and improve performance to ensure the Authority has a solid foundation supporting achievement of our four cornerstones and four directional shifts as detailed in our 2016/17 performance and business plan. Achieving an unqualified opinion on the financial statements and satisfying the Auditor that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources are corporate performance indicators.

Background

- 4 The duties and powers of auditors are set out in the Local Audit and Accountability Act 2014, the Local Government Act 1999, the Statement of Responsibilities of Auditors and Audited Bodies and the Code of Audit Practice. Considering the Auditor's report is part of the agreed Audit Resources and Performance Committee work programme.

Proposals

- 5 The full report for consideration is given at Annex A.

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- 6 The Auditor plans to issue an audit report that includes an unqualified opinion on the financial statements subject to this Committee considering this report, approving the financial statements and receiving the letter of management representations at Annex B.
- 7 The Auditor plans to issue an unqualified VFM conclusion and has concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people
- 8 The Chief Finance Officer has responded to a number of issues raised by the auditors as given in his report that follows.

Are there any corporate implications members should be concerned about?

- 11 **Financial:** The fees for external audit are funded from the existing Finance Services budget.
- 12 **Risk Management:** The scrutiny and advice provided by external audit is part of our governance framework. The Auditor's work is based on an assessment of audit risk. Annex A describes the Auditor's conclusions against the risks identified in the 2015/16 audit plan.
- 13 **Sustainability:** There are no issues to highlight.
- 14 **Background papers** (not previously published) – None

Appendices –

Annex A: External Audit (KPMG) 2015/16 Annual Report (including Appendices 1-4)
Annex B: Letter of management representations

Report Author, Job Title and Publication Date

Ruth Marchington, Director of Corporate Strategy and Development, 8 September 2016