

**6. 2013/14 EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT AND LETTER OF REPRESENTATION (A1362/ RMM)**

**Purpose of the report**

- 1 This report asks Members to consider the external auditors' (KPMG) 2013/14 annual governance report (titled 'report to those charged with governance') and approve the letter of representation as requested by the Auditor. 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 2013/14 financial statements subject to 'resolving outstanding queries to their satisfaction'
- The scope of the auditors' work on value for money (in order to satisfy the Auditor that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources) is limited to reviewing the 2013/14 Annual Governance Statement; the External Auditor has reviewed this and has no matters to report
- The External Auditor requires a signed copy of the representation letter at Annex B prior to issuing her audit opinion

**Recommendations**

- 2
1. **That Members:**
- a) **Take note of the adjustments to the financial statements included in the following report by the Chief Finance Officer in response to the External Auditor's findings**
  - b) **Agree the management response to the recommendations at Appendix 1 of Annex A**
  - c) **Approve the letter of representation at Annex B**
  - d) **Note that the External Auditor expects to give an unqualified audit opinion on the 2013/14 financial statements and has no matters to report on the 2013/14 Annual Governance Statement**

**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 against our corporate objective 11 'be a well run public body with proportionate and effective ways of working, delivering excellent customer service and living our values'. 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 through her review of the Annual Governance Statement is a corporate performance indicator.

## Background

- 4 The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999, the Statement of Responsibilities of Auditors and Audited Bodies and the 2010 Code of Audit Practice issued by the Audit Commission. 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 and includes two relevant Appendices:

**Appendix 1:** Key issues and recommendations

**Appendix 2:** Declaration of independence and objectivity

- 6 The Auditor plans to issue an audit report that includes an unqualified opinion on the financial statements subject to:

- a) the Head of Finance resolving queries raised (at the time of writing this report) and
- b) this Committee considering the matters raised and agreeing the letter of representation at Annex B.

- 7 The scope of the auditors' work on value for money (in order to satisfy the Auditor that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources) is limited to reviewing the 2013/14 Annual Governance Statement; the External Auditor has reviewed this and concludes:

- The Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources
- The wording of our Annual Governance Statement accords with their understanding
- There are no matters to report.

- 8 The Chief Finance Officer has responded to a number of issues raised by the auditors as given in his report that follows.

- 9 The Auditor has made three recommendations at Appendix 1 of Annex A and members are asked to agree the management response.

- 10 Before the Auditor can issue an opinion written representations are required about the financial statement and governance arrangements. The draft letter of representation is given at Annex B.

## 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. There is an additional £2000 charge that will be funded from existing budgets.

- 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. Pages 5 and 6 of Annex A describes the Auditor's conclusions against the risks identified in the 2013/14 audit plan.

- 13 **Sustainability:** There are no issues to highlight.

14 **Background papers** (not previously published) – None

**Appendices:**

Annex A: External Audit (KPMG): Annual Governance Report 2013/14 including:

- Appendix 1 titled key issues and recommendations and
- Appendix 2 titled declaration of independence and objectivity

Annex B: Letter of representation

**Report Author, Job Title and Publication Date**

Ruth Marchington, Director of Corporate Resources, 11 September 014