

10. **EXTERNAL AUDIT: 2014/15 REPORT TO THOSE CHARGED WITH GOVERNANCE (A1362/ RMM)**

Purpose of the report

- 1 This report asks Members to consider the external auditors' (KPMG) 2014/15 annual ISA 260 report titled 'report to those charged with governance'. 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 2014/15 financial statements
- 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 2014/15 Annual Governance Statement; the External Auditor has reviewed this and has no matters to report
- The External Auditor requires a signed copy of the management representation letter at Annex B prior to issuing her audit opinion

Recommendations

- 2
1. **That Members:**
- a) **Acknowledge 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 recommendation at Appendix 1 of Annex A**
 - c) **Acknowledge the letter of management representations at Annex B**
 - d) **Acknowledge that the External Auditor expects to give an unqualified audit opinion on the 2014/15 financial statements and has no matters to report on the 2014/15 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 to ensure the Authority has a solid foundation supporting achievement of our four cornerstones and four directional shifts as detailed in our 2015/16 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 through her review of the Annual Governance Statement is a corporate performance indicator.

Background

- 4 The duties and powers of auditors 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.
- 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 all outstanding queries raised (at the time of writing this report) and
 - b) this Committee considering the matters raised, approving the financial statements and receiving the letter of management representations 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 2014/15 Annual Governance Statement; the External Auditor has reviewed this and concludes:
- it complies with the standard required by *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives)
 - it is not misleading or inconsistent with other information the auditors are aware of from their audit of the financial statements
 - There are no matters to report in the Auditor's conclusion
- 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 one recommendation 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 £1000 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. Annex A describes the Auditor's conclusions against the risks identified in the 2014/15 audit plan.
- 13 **Sustainability:** There are no issues to highlight.
- 14 **Background papers** (not previously published) – None

Appendices –

Annex A: External Audit (KPMG): report to those charged with governance (ISA 260)
2014/15 (including Appendices 1-6)

Annex B: Letter of management representations

Report Author, Job Title

Ruth Marchington, Director of Corporate Resources, 10 September 2015