

## **7. EXTERNAL AUDIT (KPMG): 2014/15 ANNUAL AUDIT LETTER (A1362/ RMM)**

### **Purpose of the report**

1. This report asks Members to consider the External Auditor's 2014/15 Annual Audit Letter.

### **Key issues**

2. Key issues include:
  - The Annual Audit Letter provides a summary of the results of the external audit for 2014/15 (Appendix 2 of Annex 1 gives a description of the reports issued over the year)

### **Recommendations**

3. **1. That the 2014/15 Annual Audit Letter be considered and acknowledged**

### **How does this contribute to our policies and legal obligations?**

4. 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 the review of the Annual Governance Statement are corporate performance indicators.

### **Background**

5. 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 annual letter is part of the Audit Resources and Performance Committee work programme.

### **Proposals**

6. The full Letter for consideration is given at Annex 1. The key messages are given at page 2 of the Annex and include:
  - a) The External Auditor has given an unqualified opinion on the financial statements. This means that they believe the financial statements give a true and fair view of the financial position of the Authority and its expenditure and income for the year.
  - b) The External Auditor has reviewed the Annual Governance Statement and concluded that there are no matters to report and that it was consistent with their understanding. They critically assessed the controls the Authority has in place to ensure a sound financial standing and reviewed how the Authority is planning and managing its savings plan. They concluded that there was sufficient relevant work that had been completed by the Authority in relation to this risk area.
  - c) The External Auditor identified no issues in the course of the audit of the financial statements that were considered to be material and raised one

high priority recommendation relating to the Fixed Asset Register (FAR) as given at Appendix 1 of the Annex as follows:

- The Authority should consider whether the spreadsheet used for the FAR is still fit for purpose, or whether a FAR software package would be more appropriate. If the spreadsheet is maintained, the document should include the PPE (Property, Plant and Equipment) note from the accounts, detailing where all the information can be found in the spreadsheet

7. The management response to the above recommendation is given in Appendix 1 of the Annex at page 4.

**Are there any corporate implications members should be concerned about?**

8. **Financial:** The fees for external audit are funded from the existing Finance Services budget including the fee incurred for the additional auditing work around the reconciliation between the accounts and the fixed asset register

9. **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.

10. **Sustainability:**  
There are no issues to highlight

11. **Background papers** (not previously published) – None

**Appendices-**

Annex 1: External Audit: 2014/15 Annual Audit Letter

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

Ruth Marchington, Director of Corporate Strategy and Development, 29 October 2015