

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **18 November 2014**

By: **Chief Operating Officer**

Title of report: **Annual Audit Letter and fee update 2013/14**

Purpose of report: **To inform the Committee of the Annual Audit Letter and fee outturn for 2013/14.**

RECOMMENDATION – The Committee is recommended to note the Annual Audit Letter and the fee update for 2013/14.

1. Financial Appraisal

1.1 The external audit fees for 2013/14 is £138,036 (County Council of £111,429 and the Pension Fund of £26,607) for the core audit. The certification of grants work is still ongoing and the fee when confirmed will be funded from existing budgets. Further detail is provided in Appendix A.

2. Supporting Information

2.1 The Annual Audit Letter (AAL) attached as Appendix A summarises the key issues arising from the work carried out by the Council's external auditor (KPMG) during the year. This report contains no new findings or recommendations, but reflects the key issues already reported in the Annual Governance Report. The AAL was circulated to all Councillors and published on the Council's website prior to the Audit Commission's deadline of 31 October, and will be approved at Cabinet on 16 December 2014.

2.2 The Council would like to extend its thanks to KPMG for their professionalism during the first year of our working relationship.

3. Conclusion

3.1 The Committee is recommended to note the Annual Audit Letter and the fee update for 2013/14.

KEVIN FOSTER
Chief Operating Officer

Contact Officers Ola Owolabi, 01273 482017

Local member: *All*

BACKGROUND DOCUMENTS

1. Independent Auditor's (KPMG) Annual Governance Report on ESCC Accounts and Value for Money conclusion report
2. Independent Auditor's (KPMG) Annual Governance Report on Pension Fund Accounts



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Annual Audit Letter 2013/14

East Sussex County Council

October 2014



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This report is addressed to the Council and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tamas Wood, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

This report summarises the key findings from our 2013/14 audit of East Sussex County Council (the Council).

Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public.

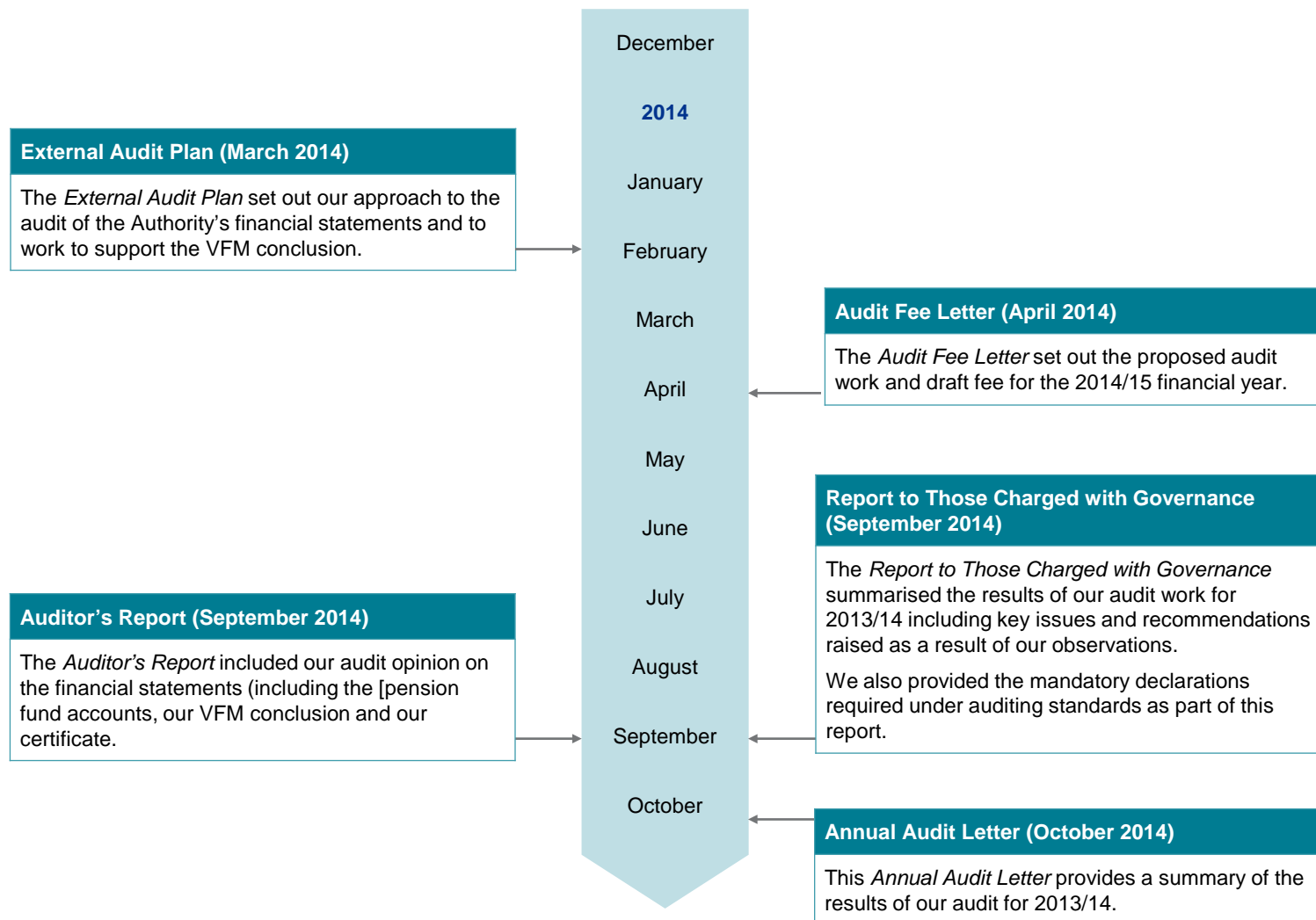
Our audit covers the audit of the Council's 2013/14 financial statements, including the pension fund financial statements, and the 2013/14 VFM conclusion.

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

Audit opinion	We issued an unqualified opinion on your financial statements on 30 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year. The financial statements also include those of the pension fund.
VFM conclusion	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 30 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
Financial statements audit	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Council made a small number of presentational amendments. There was no impact on the General Fund.
Annual Governance Statement	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
Pension fund audit	There were no significant errors identified during our audit of the pension fund financial statements, and no control recommendations identified.
Whole of Government Accounts	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
High priority recommendations	We raised no high priority recommendations as a result of our 2013/14 audit work. We raised one medium and one low priority recommendation for which implementation has been agreed with management.
Certificate	We have not yet issued our certificate. This is because we have received an objection to the Authority's financial statements which we are currently considering. This means that we are not yet able to issue our certificate.
Audit fee	Our fee for 2013/14 was £138,036 excluding VAT. This is in line with the Audit Commission's scale fee for the audit of the Council and Pension Fund financial statements. Further detail regarding this is contained in Appendix 2.

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued in the past year.



This appendix provides information on our final fees for 2013/14.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

Our final fee for the 2013/14 audit of the Council and Pension Fund was £138,036. The total fee includes £26,607 in respect of the audit of the Pension Fund financial statements. This fee is in line with the scale fee set by the Audit Commission.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue in January 2015.



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