

# Audit Committee

## Draft Annual Audit Report 2015/16

Item no: 04

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**Date:** 22 September 2016  
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### Summary

This report details the final draft of the annual audit report to those charged with governance (ISA260) prepared by KPMG, London Councils' external auditor, in respect of the 2015/16 financial year. The final draft is included at Appendix A to this report and contains the proposed management responses to the internal control issues raised by KPMG which are detailed on page 18 and 19 of the final draft. Philip Johnstone and Stephen Lucas, from KPMG, will attend the meeting to present the draft document to members.

### Recommendations    The Audit Committee is asked:

- To note the key issues detailed in the draft audit report to those charged with governance and agree the proposed management responses to the recommendations to internal control deficiencies detailed on page 18 and 19 of the draft audit report included at Appendix A; and
- To approve the draft letter of representation included at Appendix B.

# Draft Annual Audit Report 2015/16

## Introduction

1. At its meeting on 24 March 2016 the Audit Committee approved an external audit plan prepared by KPMG which set out the scope and approach for the audit of London Councils 2015/16 accounts. KPMG has completed majority of its audit work and is required to report the outcome of its audit to those charged with governance in accordance with the International Standards of Auditing (UK and Ireland). The audit report summarises the key findings arising from the audit of London Councils 2015/16 accounts and the latest draft is included at Appendix A to this report.

## Audit matters

2. KPMG anticipate issuing an unqualified opinion on the financial statements subject to the satisfactory conclusion of outstanding issues such as the clearance of final review points, receipt of letters of representation and final Director closing procedures review. KPMG will provide an oral update on these matters. KPMG will also report that the Annual Governance Statements complies with guidance issued by CIPFA/SOLACE and is not misleading or inconsistent with other information they are aware of from the audit or the financial statements.
3. KPMG has made two recommendations with regard to internal control deficiencies on the invoicing of income receivable and pension submission reconciliation. These recommendations are detailed on page 18 and 19 of the audit report. The Audit Committee is asked to note the recommendations and endorse the officer response. Any amendments made by the Audit Committee will be incorporated into the final version to be sent to all members of the Leaders' Committee by 30 September.

## Management representation

4. The draft management representation letter can be found at Appendix B of this report. The letter declares, to the best of the management's knowledge, that the financial statements and other information provided to the auditor are sufficient and appropriate and have not omitted any facts that are material to the financial statements. A management representation letter will be required for all three sets of accounts. The letter will be signed by the Director of

Corporate Resources once the final draft of the audit report has been approved. The Committee is asked to approve the draft letter of representation.

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**Financial Implications for London Councils**

None

**Legal Implications for London Councils**

None

**Equalities Implications for London Councils**

None

**Appendices**

Appendix A – External Audit Report for 2015/16

Appendix B – Draft management representation letter for 2015/16 accounts

**Background Papers**

Final accounts working files 2015/16

London Councils External Audit Plan for 2015/16