

London Councils

Annual Audit Letter

2013/14

Government and
Public Sector

29 October 2014

Contents

<i>Introduction</i>	1
<i>Audit Findings</i>	3
<i>Other matters reported to those charged with governance</i>	5
<i>Final Fees</i>	6

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2013/14 audit work for members of the Authority.

We have already reported the detailed findings from our audit work to the Audit Committee in the following reports:

- Audit Plan for 2013/14
- Audit opinion for the 2013/14 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Report to those charged with Governance (ISA (UK&I) 260).

The matters reported here are the most significant for the Authority

Scope of Work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

London Councils

Audit Responsibility

Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).

Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.

Results

We reported our findings to the Audit Committee on 26 September 2014 in our 2013/14 Report to those charged with Governance (ISA (UK&I) 260).
On 30 September 2014 we issued an unqualified audit opinion.

On 30 September 2014 we issued an unqualified Value for Money conclusion.

Audit Responsibility	Results	Audit Responsibility	Results
<p><i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i></p>	<p>▶ There were no issues to report in this regard.</p>	<p><i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i></p>	<p>▶ We are unable to issue the completion certificate at this time for both the 2012/13 and 2013/14 statement of accounts as we are in the process of considering an objection to the statement of accounts for 2012/13.</p>
<p><i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i></p>	<p>▶ We submitted on 23 October 2014 a draft statement of reasons in response to an objection to the 2012/13 statement of accounts, but have not identified any matters on which to report in respect of the 2013/14 statement of accounts.</p>		
<p><i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i></p>	<p>▶ We submitted on 23 October 2014 a draft statement of reasons in response to an objection to the 2012/13 statement of accounts, but have not identified any matters on which to report in respect of the 2013/14 statement of accounts.</p>		

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 30 September 2014.

We noted significant issues arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Audit Committee on 26 September 2014. We wish to draw the following points, included in that report, to your attention in this letter:

Parking on Private Land Appeals Service

In September 2013, an objection was raised on the London Councils accounts for 2012/13 by an interested person residing in London. The objection stated that the Transport and Environment Committee (TEC) did not have the legal powers to provide an appeals service for parking on private land for the British Parking Association under contract.

Having taken our own independent legal advice, we are of the view that TEC did not have the legal powers to enter into the contract. It is common ground that local authorities have a general power of competence under section 1 of the Localism Act 2011, which could provide them with the power to enter into such an arrangement and to delegate this to TEC. It is our view that such a delegation was not properly secured and the income and expenditure derived from the contract and recorded within the accounts is therefore unlawful. It is the view of management that the service was and is currently being delivered by TEC on behalf of all the participating authorities with their consent and proper authority.

Income and expenditure in respect of the contract included in the Statement of Accounts was immaterial for year ended 31 March 2013. However, amounts recognised in the year ended 31 March 2014 were material.

London Councils

We recognise that Management is taking action to ensure that the powers necessary to make the operation of the contract lawful going forward are appropriately delegated by the London local authorities.

Appropriate disclosure of the disagreement between management and the auditors was made in the 2013/14 Statement of Accounts and a liability correctly included in respect of all income recognised in respect of this contract up to 31 March 2014.

This disclosure was explicitly referred to in an emphasis of matter included in our audit report but this did not constitute a qualification of our opinion.

A draft Statement of Reasons was issued to the Audit Commission for consultation in response to the objection on 23 October 2014.

Use of Resources

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit Commission guidance specifies the criteria for our value for money conclusion as:

- reviewing the annual governance statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- other local risk-based work as appropriate, or any work mandated by the Commission.

We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We issued an unqualified value for money conclusion.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters

Other matters reported to those charged with governance

These are the matters we consider to be **most significant** for the Authority and have been raised with those charged with governance. Other, less significant recommendations have been brought to the attention of the Director of Corporate Resources.

As part of our audit work in 2014/15, we will follow up the recommendations we have made and report the status of these in future reports.

Recommendation	Management Response	Target Implementation Date
<p>No year-end reconciliation performed between the payroll system and general ledger:</p> <p>Regular reconciliations should be performed between payroll reports and the general ledger.</p> <p>All reconciling items identified should be investigated and explained. Appropriate audit evidence should be retained in order to support explanations determined.</p>	<p>It was acknowledged by the auditors that there were no issues identified in the payroll to ledger audit testing. This in itself is the result of the process of preparing the monthly salary forecast report presented to the Corporate Management Board which involves comparing the detailed analysis of permanent and temporary staff to the amounts included in the ledger. This budgetary control process of predictive analysis will identify discrepancies on the ledger and the underlying payroll system. This process is further supported by weekly HR catch-up meeting with the Director – Corporate Governance. However, London Councils officers agree to perform regular reconciliations of the payroll system reports to the general ledger and provide an end of year reconciliation for 2014/15.</p>	<p>To be implemented immediately</p>

Final Fees

Final Fees for 2013/14

We reported our fee proposals in our audit plan.

We are currently in the process of agreeing the fee over and above the scale element with the Audit Commission and will report the final position once our work on the objection to 2012/13 statement of accounts is completed.

Our fees charged were therefore:

	2013/14 outturn	2013/14 fee proposal	2012/13 final outturn
Audit work performed under the Code of Audit Practice	54,058	54,058	54,058
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
Electors questions and objections*	TBC	*	Nil
Non Audit Work**	1,500	1,500	1,340
TOTAL	TBC	80,658	55,398

*The 2013/14 fee proposal detailed in the audit plan in respect of audit work undertaken relating to electors questions and objections reflects costs incurred up to 1 September 2014. Significant additional work has been

performed since that date. Estimated costs incurred to 15 October are £50,000.

**We performed work over the AR27 return submitted by London Councils to the Certification Office, which fell outside of the Code of Audit Practice requirements. Our proposed fee for that work was £1,500 and the actual fee was £1,500



In the event that, pursuant to a request which London Councils has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. London Councils agrees to pay due regard to any representations which PwC may make in connection with such disclosure and London Councils shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, London Councils discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for London Councils and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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