

Non-Executive Report of the: Audit Committee Thursday, 26 January 2023	 TOWER HAMLETS
Report of: Interim Corporate Director, Resources	Classification: Open (Unrestricted)
2016/17 and 2017/18 Letters of Management Representations to KPMG	

Originating Officer(s)	Tim Harlock, Interim Head of Strategic Finance – Chief Accountant
Wards affected	(All Wards);

Executive Summary

This report presents the final steps required to finalise and close the audits for 2016/17 and 2017/18.

It presents the draft letters of management representation to the auditors, which will need to be signed off by the Chair and the Interim Corporate Director of Resources, and then provided to KPMG.

Recommendations:

The Audit Committee is recommended to:

1. Delegate to the Chair the authority to sign the management letters of representations to be made to KPMG, as provided in the appendices, subject to any further updates to be reported verbally at the meeting.

1. REASONS FOR THE DECISIONS

- 1.1 Producing a statement of accounts, and having it reviewed and signed off by auditors is a key statutory requirement of local authorities. As part of the proper process, auditors request that their clients provide assurance that

appropriate processes and appropriate consideration has been applied to the compiling of the accounts.

2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative to the proper process (other than to not provide that assurance, which would then leave the proper process unfinished).

3. DETAILS OF THE REPORT

- 3.1 The 2016/17 and 2017/18 Statements of Accounts have previously been approved by this committee, on 27 September 2017 and 25 July 2018 respectively, and they received their audit opinions. However, the audits were not formally concluded at the that time since there were some formal matters outstanding. These matters are outlined in the KPMG report which has been received by this committee elsewhere on the agenda today.
- 3.2 As part of the process of auditing the 2018/19 accounts, with Deloitte as the external auditor, errors in the accounts came to light, some of which extended back to previous years and were of a material nature. Under these circumstances, the Council was unable to sign letters of management representations so as to provide the standard assurances regarding the statements of accounts for those previous years.
- 3.3 Now that the work on the 2018/19 accounts is coming to an end, and no more matters relating to prior periods have been identified at the time of writing, it is appropriate for the management letters to be refreshed and signed by the Interim Director of Finance and the Chair of the Audit Committee. Drafts of these letters are presented in the appendices, one for each year. The letters are presented such that the original drafts, as tabled at this committee on the dates provided in paragraph 3.1, are retained, and the assurances are then modified by a clear and distinct section attached to the bottom of each letter.
- 3.4 Members will appreciate that according to statutory requirements the audited 2018/19 accounts should have been published by 31 July 2019, thus meaning that a further three and a half years has been spent investigating and remediating errors. This process has been extensive, and has been conducted with as much care as can reasonably be taken, with a mind to seeking the right balance between correcting absolutely all of the detail, versus correcting the material errors, which is the generally accepted and realistic target in order to achieve a true and fair view of the financial position of the authority.
- 3.5 Officers acknowledge that they have been unable to correct some of the disclosures where materiality is dictated qualitatively (rather than quantitatively), and it would be reasonable to assume that these qualifications

on 2018/19 disclosures might have some bearing on 2016/17 and 2017/18 disclosures. These items have been specifically listed out in the letters.

- 3.6 Once these management representations have been signed and delivered to KPMG, they will then be able to consider if they need to amend their certificates for each year, and then finally, issue them. This will formally conclude the audits of 2016/17 and 2017/18.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific implications arising from this report.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 None.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The report is financial in nature and, as such, the views of the CFO are incorporated throughout the report. No new considerations arise from this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 Regulation 10 of the Accounts and Audit Regulations 2015 requires a local authority to publish their statement of accounts not later than 31 July of the financial year immediately following the end of the financial year to which the statement relates, or, for the financial year starting in 2019, not later than 30 November. These dates have not been kept.
- 7.2 Regulation 3 of the Accounts and Audit Regulations 2015 requires a local authority to have a sound system of internal control which ensures that the financial and operational management of the authority is effective.
- 7.3 Save as mentioned above, the matters set out in this report comply with the above legislation.

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix A – Letter of management representations for 2016/17 accounts
- Appendix B – Letter of management representations for 2017/18 accounts

Local Government Act, 1972 Section 100D (As amended)**List of “Background Papers” used in the preparation of this report**

- NONE

Officer contact details for documents:

N/A