



**Report for:
INFORMATION**

Item Number:

Contains Confidential or Exempt Information	NO
Title	External Audit Report – Audit Plan 2016/17
Responsible Officer(s)	Ross Brown, Director of Finance
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Portfolio(s)	Cllr Yvonne Johnson – Finance, Performance & Customer Services
For Consideration By	Audit Committee
Date to be considered	28 February 2017
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	Audit, Control, KPMG

Purpose of Report:

The attached KPMG report entitled “External Audit Plan 2016/17” sets out in detail how KPMG will deliver their financial statements audit work for the council’s accounts and pension fund.

KPMG are in attendance at this meeting and will present this plan to members of the Committee.

1. Recommendations

1.1 It is recommended that the Audit Committee note the strategy set out in the KPMG audit plan for the 2016/17 closedown process.

2. Reason for Decision and Options Considered

2.1 This is a report for information; no decision is required.

3. Key Implications

3.1 The Code of Audit Practice summarises KPMG’s responsibilities into two key objectives, requiring them to review and report on the Council’s:-

- Financial Statements (including the Annual Governance Statement); providing opinion on the Council's accounts; and
- Value for money conclusion; concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources.

3.2 External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services. Audit in the public sector is underpinned by three fundamental principles:

- Auditors are appointed independently from the bodies being audited
- Audit scope covers the audit of financial statements, value for money and the conduct of public business
- Auditors may report aspects of their work widely to the public and other key stakeholders.

3.3 KPMG are required satisfy themselves that the Council's accounts comply with latest statutory requirements and that proper accounting practices have been observed in compiling them. To do this KPMG use a risk based audit approach.

3.4 KPMG's External Audit Plan 2016/17 sets out the audit approach and the detailed audit planning work which has been carried out during early 2017. The audit is due to commence following the submission of the accounts on 26 May 2017. The KPMG team will be on site in June 2017.

3.5 Before the start of the audit, KPMG set a money materiality level for planning purposes and for 2016/17 this has been set at £15m for the council's accounts and at £10m for the Pension Fund accounts (materiality was £15m and £8m respectively for 2015/16). KPMG will report all audit differences over £0.750m for the Council's accounts and £0.500m for the Pension Fund.

3.6 KPMG will present their report to those charged with governance ISA260 to the Audit Committee at its meeting in July 2017. This is consistent with last year and reflects the earlier closing requirements that will become statute from 2017/18.

4. Financial

4.1 The costs of the audit are shown on page 1 of the 2016/17 external audit plan. They cover the main audit at a cost of £166,583 and the Pension Fund audit at £21,000. Both of these costs have been budgeted for by the Council in 2016/17 and remain consistent with the 2015/16 audit.

4.2 The estimated cost for the certification of grant claims and returns is £22,080.

5. Legal

- 5.1 The Council has a duty to comply with the various Local Government Acts and Accountancy Regulations to ensure that its financial stewardship meets the appropriate legal requirements.
- 5.2 By virtue of section 4 of the Local Audit and Accountability Act 2014 (“the Act”), the Council’s accounts for a financial year must be audited by a local auditor appointed in accordance with the Act.
- 5.3 By virtue of section 20 of the Act, the auditor must be satisfied that the accounts comply with the requirements of the enactments that apply to them, and that proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. In carrying out these functions, the auditor must comply with the relevant code of practice, and have regard to relevant guidance issued by the Comptroller and Auditor General.
- 5.4 Furthermore, the Council and the auditor must comply with all relevant regulations in relation to the preparation and auditing of accounts, including the Accounts and Audit Regulations 2015.

6. Value for Money

- 6.1 The audit plans set out the work to be carried out by KPMG to reach a conclusion on the Authority’s arrangements to secure economy, efficiency and effectiveness in the running of its operations.

7. Sustainability Impact Appraisal

- 7.1 None

8. Risk Management

- 8.1 None.

9. Community Safety

- 9.1 None

10. Links to the 6 Priorities for the Borough

- 10.1 Effective financial management supports the strategic objective for improved value for money and keeping council tax low.

11. Equalities, Human Rights and Community Cohesion

- 11.1 No identified need for the completion of an Equality Impact Assessment.

12. Staffing/Workforce and Accommodation implications:

12.1 None

13. Property and Assets

13.1 None

14. Any other implications:

14.1 None

15. Consultation

15.1 As per table below.

16. Timetable for Implementation

16.1 None

17. Appendices

Appendix 1: External Audit Plan 2016/17

18. Background Information

None

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Internal				
Ian O'Donnell	Executive Director of Corporate Resources			
Ross Brown	Director, Finance	17-02-2017	17-02-2017	
Helen Harris	Head of Legal and Democratic Services	20-02-2017	20-02-2017	
Maria Campagna	Strategic Finance Partner, Corporate	17-02-2017	17-02-17	
Clr Yvonne Johnson	Finance, Performance & Customer Services			