



Report for: INFORMATION
Item Number: 7

Contains Confidential or Exempt Information	NO
Title	KPMG External Audit Plan 2017/18
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Portfolio(s)	Cllr Yvonne Johnson – Finance, Performance & Customer Services
For Consideration By	Audit Committee
Date to be considered	07 March 2018
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	Audit, Control, KPMG

Purpose of Report:

KPMG’s External Audit Plan 2017/18 sets out in detail how they will deliver the audit of the financial statements.

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

1. Recommendations

- 1.1 It is recommended that the Audit Committee note KPMG’s External Audit Plan for the 2017/18 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 sets out KPMG’s audit responsibilities which are based on two key objectives, requiring them to review and report on the Council’s:

- Financial Statements (including the Annual Governance Statement); providing an opinion on the Council's accounts; and
- Value for Money; 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, making 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; and
- Auditors may report aspects of their work widely to the public and other key stakeholders.

3.3 KPMG are required to satisfy themselves that the Council's accounts comply with the 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 2017/18 sets out the audit approach, including the audit planning work which has been carried out during early 2018. A copy is attached at Appendix 1. The audit is due to commence following the submission of the accounts on 25 May 2018. KPMG's team will be on site in June 2018.

3.5 Before the start of the audit, KPMG set a money materiality level for planning purposes. For 2017/18 this is £15m for the council's accounts and £15m for the Pension Fund accounts (materiality was £15m for the council and £10m for the pension fund for 2016/17). KPMG will report all audit differences over £0.750m for the Council's accounts and £0.500m for the Pension Fund.

3.6 On completion of their audit work KPMG will present their report to those charged with governance (ISA260) to Audit Committee at the meeting in July 2018. This is consistent with last year and complies with the early closing requirements that are now mandatory.

4. Financial

4.1 The costs of the audit are set out at page 2 of the 2017/18 External Audit Plan. They cover the main audit at a cost of £166,583 and the Pension Fund audit at £21,000. These costs have been budgeted for in 2017/18 and are unchanged from 2016/17.

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 External Audit Plan sets 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. Risk Management

- 7.1 KPMG’s Annual Audit Letter (presented to Audit Committee in November 2017) comments that the Medium Term Financial Strategy is sufficiently robust to manage risk and assist the Council in delivering services whilst maintaining financial stability.

8. Community Safety

- 8.1 Not applicable.

9. Links to Strategic Objectives

- 9.1 The issues outlined in this report are linked to the Council’s core value of ‘securing value for money in everything we do’.

10. Equalities and Community Cohesion

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

11. Staffing/Workforce and Accommodation implications:

- 11.1 None

12. Property and Assets

- 12.1 None

13. Any other implications:

13.1 None

14. Consultation

14.1 As per the table below.

15. Timetable for Implementation

15.1 None

16. Appendices

Appendix 1: KPMG External Audit Plan 2017/18

17. 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			Throughout
Ross Brown	Director, Finance	21.2.18	26.2.18	Throughout
Helen Harris	Head of Legal and Democratic	21.2.18	23.2.18	Paragraph 5
Pat Main	Head of Corporate Finance	21.2.18	23.2.18	Throughout
Cllr Yvonne Johnson	Finance, Performance & Customer Services			Throughout