

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 9th July 2015

Subject: KPMG Interim Audit Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. KPMG have completed their interim audit work and the report of their findings is attached.
2. The report summarises the key findings arising from:
 - Their interim audit work in relation to the 2014/15 financial statements, and
 - Their work to support their 2014/15 value for money conclusion up to March 2015

Recommendations

3. It is recommended that Members note:
 - The overall positive assurances provide by KPMG in respect of the work of internal audit and on the systems and controls which underpin the Council's financial statements.

1 Purpose of this report

- 1.1 In line with the external audit plan for 2014/15 which was presented to this Committee in January 2015, this report highlights the results of KPMG's interim audit work in relation to the 2014/15 financial statements and the initial work undertaken to support their 2014/15 value for money conclusion. KPMG's full report is attached.

2 Background information

- 2.1 Prior to their audit of the financial statements, KPMG undertake an Interim audit to assess the council's internal control environment. This initial audit work is designed to gain assurances on the Council's controls and procedures in order to minimise the audit coverage required at the final audit stage.

- 2.2 The main procedures and controls assessed at this interim audit stage are to:

- Evaluate the controls over key financial systems via the work of Internal Audit;
- Make an assessment as to the overall IT control environment and in particular the access controls to the financial ledger;

- 2.3 In addition, the interim audit undertakes an initial review of the risks identified within the audit plan in respect of the value for money conclusion.

- 2.4 During the period January through to March 2015, KPMG completed their planning and control evaluation work. This work covered;

- Review of the Authority's general control environment, including the Council's IT systems.
- Testing of certain controls over the Authority's financial systems.
- Review of the Internal Audit function's assessment of core systems.
- Review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas they have identified for this year.
- Initial data analytics work over capital, payroll and journals data to assist with year-end testing.

- 2.5 This covering report highlights any significant findings in respect of this initial audit work.

3 Main issues

3.1 Interim Audit work on the Financial Accounts

- 3.1.1 KPMG have completed their interim audit work on the accounts and have not identified any significant issues, although one relatively minor issue was noted.

3.1.2 Overall KPMG have confirmed that the interim audit work has provided audit assurance in respect of the following:

- That the organisation and IT control environment is effective overall. However, KPMG did note one issue, where sample testing found that the value of orders which one user could authorise had not been amended promptly following a change in their role. KPMG are undertaking further work in this area.
- That the controls over all of the key financial systems are sound. KPMG identified no matters arising and can rely on those controls as part of the financial statement audit.
- That following their review of Internal Audit's work on core systems, they did not identify any issues which would cause them to change their audit approach.
- That the Authority's overall process for the preparation of the financial statements is adequate and that the Authority has a good understanding of the key audit risk areas KPMG identified and is making good progress in addressing them.

3.2 Value for Money Conclusion

3.2.1 KPMG's External Audit Plan 2014/15 explained their risk-based approach to value for money work, which follows guidance provided by the Audit Commission and detailed their initial risk assessment.

3.2.2 KPMG did not identify any specific risks to their value for money conclusion at the planning stage and have not identified any further risks up to the date of their interim report.

3.2.3 KPMG will continue to assess value for money risks over the Council's arrangements for securing financial resilience and challenging economy, efficiency and effectiveness in prioritising resources and improving efficiency and productivity.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The interim audit report does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and Best Council Plan

4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external

audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts.

4.4 Resources and value for money

4.4.1 The interim audit included an initial assessment as to whether the Council has proper arrangements for securing value for money. This work did not identify specific risks.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no legal issues arising from this report.

4.6 Risk Management

4.6.1 KPMG have not identified any significant risks in the interim audit which require officer action as part of the process for completing the 2014/15 accounts.

5 Conclusions

5.1 There are no major issues raised in KPMG's interim audit which would impact on the level of audit work required to certify the Council's financial statements.

6 Recommendations

6.1 Members are asked to note:

- The overall positive assurances provide by KPMG in respect of the work of internal audit and on the systems and controls which underpin the Council's financial statements.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.