

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 28th January 2016

Subject: KPMG Summary External Audit Plan 2015/16

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. In order to discharge their statutory duties, KPMG issue an annual audit plan which covers the Council's accounts and the process for assessing its arrangements to secure value for money in the use of resources. This plan would usually be presented to the January meeting of the committee. However, the National Audit Office issued new guidance in November on Value for Money work by local authority auditors, which needs to be considered and incorporated into KPMG's planning process. KPMG have therefore provided a report summarising their audit planning to date, and will be issuing a full audit plan in the near future which will be brought to the next meeting of this committee.
2. The attached summary document explains the key risks which KPMG have identified in their planning work so far.
3. The scale fee set by the Audit Commission for Leeds for 2015/16 is £231,953. A national consultation on scale fees for 2016/17 proposes that the basic fees remain unchanged, but with one-off increases allowed for additional work arising from changes to accounting for highways infrastructure assets.

Recommendations

4. Members of the Corporate Governance and Audit Committee are asked to note the key risks identified by KPMG, and that a detailed external audit plan outlining their proposed audit approach and timetable for the year will be presented to the next meeting of this committee.

1 Purpose of this report

- 1.1 To inform members of progress in KPMG's audit planning for the audit of the Council's accounts and Value for Money arrangements. The attached report from KPMG highlights the main risks they have identified for 2015/16.
- 1.2 The report also informs members of the audit scale fees applicable to Leeds for 2015/16 and the proposal for 2016/17.

2 Background information

- 2.3 KPMG's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice. As the Council's external auditors, KPMG are required to satisfy themselves that the Council's accounts comply with statutory requirements and that they have been compiled according to proper practices. In addition they are also required to conclude as to whether the Council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

3 Main issues

- 3.1 KPMG are currently working to produce a detailed audit plan in the light of new guidance issued by the National Audit Office (NAO) on auditing Value for Money by local authority auditors. For the committee's information, copies of the new NAO guidance and of the accompanying supporting information specific to local authorities are attached as further appendices to this report. KPMG's full audit plan for 2015/16 will be presented at the March meeting of this committee.
- 3.2 The attached summary planning report describes the significant risks and areas of focus in the financial statements which KPMG have identified in their audit planning work to date. The report refers to two significant risks – management override of controls and fraudulent revenue recognition. These are standard risks which auditors would consider as a matter of course in the audit of any organisation, and their inclusion in this summary plan by KPMG does not indicate that any specific cause for concern has been raised in these areas.
- 3.3 The audit scale fee for Leeds for 2015/16 is £231,953, which was set by the Audit Commission in March 2015, prior to its closure. The scale fees set by the Commission for local authorities for 2015/16 represent a 25% reduction on the fees for 2014/15. This was due to savings achieved by the Commission in its audit procurement exercise of 2014.
- 3.4 From 2016/17, the role of setting scale fees will be undertaken by Public Sector Audit Appointments Ltd (PSAA), an independent company established by the Local Government Association to manage the Commission's audit contracts until they end. The PSAA has issued a consultation on scale fees for 2016/17, which proposes that the basic fees remain at the same level as for 2015/16, but with one-off increases of between £5,000 and £10,000 being proposed to cover additional audit work arising from major changes to accounting for highways infrastructure assets.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The summary audit plan 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 This report does not raise any issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and Best Council Plan

4.3.1 Under the Committee's terms of reference members are required to agree the nature and scope of the external audit plan. This summary report outlines progress towards the production of the audit plan.

4.4 Resources and value for money

4.4.1 The report outlines the areas which KPMG will review in assessing whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report by KPMG outlines how they propose to discharge their responsibilities as defined by in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

4.5.2 As this is a factual report provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

4.6.1 The report identifies the key risks which KPMG have identified in their audit planning process so far.

5 Conclusions

5.1 KPMG have provided the Council with a summary of their audit planning in respect of the external audit of the Council's 2015/16 accounts and for assessing the Council's arrangements for securing value for money. They have also identified what they see as the main risks. A full audit plan for the year will be presented to the next meeting of this committee.

5.2 The audit scale fee for 2015/16 is £231,953, a 25% reduction in comparison to the previous year. This is as a result of a national reduction in the scale fees set by the Audit Commission. A national consultation on scale fees for 2016/17 proposes that the basic fees remain unchanged, but with one-off increases allowed for additional work arising from changes to accounting for highways infrastructure assets.

6 Recommendations

- 6.1 Members of the Corporate Governance and Audit Committee are asked to note the key risks identified by KPMG, and that a detailed external audit plan outlining their proposed audit approach and timetable for the year will be presented to the next meeting of this committee.

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.