

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 24th June 2016

Subject: KPMG Interim Audit Report and Technical Update

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 a summary of the work carried out and their findings is included as the first section of their attached report.
2. The report from KPMG goes on to provide Members with information on several major issues affecting local authorities in general.

Recommendations

3. It is recommended that Members note:
 - That there are no issues which KPMG wish to bring to the attention of the Committee in respect of their review of 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 2015/16 which was presented to this Committee in March 2016, this report highlights the results of KPMG's interim audit work in relation to the council's financial systems and controls. KPMG's report, which also informs Members of issues affecting local authorities which they feel the council should be aware of, 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:
- Understand accounting and reporting activities;
 - Evaluate design and implementation of selected controls;
 - Test operating effectiveness of selected controls;
 - Assess control risk and the risk of the accounts being misstated;
- 2.3 KPMG also provide periodical updates to this committee on issues affecting local authorities in general.

3 Main issues

3.1 Interim Audit work on the Financial Accounts and Control Environment

- 3.1.1 KPMG have completed their interim audit work on the accounts and have not identified any issues which they wish to bring to the attention of the Committee as a result of their work.

3.2 Technical Update

- 3.2.1 The update report from KPMG contains two further sections – KPMG resources and technical updates
- 3.2.2 The section on KPMG resources summarises national reports and other publications on areas which may be of interest to members. It covers their Local Government Budget Survey and a report on the role of audit in building trust in governments.
- 3.2.3 The technical update section covers developments affecting local government accounts and audits. It includes the impact of the Local Audit and Accountability Act, on which a report was presented at the January 2016 meeting of this committee. Subsequent to that report, councils were asked by the Local Government Association for non-binding expressions of interest in opting into a sector-led procurement body for external audit. The council did reply to this

request with an expression of interest. A further update report will be brought back to the committee once the details of the proposed national procurement scheme are known.

3.2.4 The report also mentions several low impact areas on which the committee may wish to seek assurances :

- Narrative foreword to the Statement of Accounts – for 2015/16 there are new statutory requirements to include information on “economy efficiency and effectiveness in its use of resources”. Members will see that the foreword to the council’s draft accounts this year has been expanded to include non-financial information.
- Arrangements for public inspection of the accounts – the council’s accounts will be on deposit from 29th June for a period of thirty working days, a timescale which complies with the new statutory requirements.
- 2015/16 Accounting Code update – the council’s finance team are aware of the Code update, and in particular that no restatement of the 2015/16 Highways infrastructure asset values will be required for the 2016/17 accounts. Work will be undertaken during 2016/17 to implement the new current value accounting requirements for highways assets.
- Capital receipts flexibility – the council is aware of the new flexibility introduced by the government, but considers that its own approach of using capital receipts to reduce its MRP requirement offers even greater flexibility.
- Better care fund – an internal audit review is underway into this area, which will be reported to the committee in a future quarterly update report.

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 did not identify any specific risks in relation to the council’s arrangements for securing value for money.

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 2015/16 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:

- That there are no issues which KPMG wish to bring to the attention of the Committee in respect of their review of 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.