

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 11th July 2014

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. The work involved a review of the critical systems and controls which impact on the validity of the Council's financial statements.
2. They have also undertaken a data analytics exercise of three key financial systems. The validated findings of this work will be reported back to this Committee in September.
3. KPMG have also provided Committee with a technical update on significant issues which could potentially impact on the Council.

Recommendations

4. It is recommended that Members note:
 - The 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; and
 - That KPMG have undertaken a data analytics exercise, the findings of which will be reported to this Committee in September.

1 Purpose of this report

- 1.1 In line with the audit plan presented to this Committee in January, this report highlights the results of KPMG's interim audit work in relation to the 2013/14

financial statements and the initial work undertaken to support their 2013/14 Value for Money conclusion. KPMG's full report is attached.

2 Background information

2.1 A significant proportion of the accounts audit is completed before KPMG receive the Council's financial statements. 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. The main procedures and controls assessed at this interim audit stage are as follows:

- § Evaluate controls over key financial systems via the work of Internal audit;
- § Assessment as to the overall IT control environment and in particular the access controls to the financial ledger;

2.2 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.

2.3 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.

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

- LCC has an effective IT control environment (subject to the three minor issues identified);
- Internal Audit's work covered all the key financial systems and there is no requirement to undertake additional work in respect of these systems as part of the final accounts audit.

3.2 Value for Money conclusion

3.2.1 Initial work on the VFM conclusion has concentrated on the key risk of achieving the Council's savings plan. Discussions have taken place with senior officers throughout the year, along with a review of relevant documentation, and KPMG have indicated that good progress is being made in ensuring that the Council achieves its 2013/14 savings plan.

3.3 Addition work undertaken for 2013/14

3.3.1 In addition to the above, KPMG have introduced two new elements to the interim audit, a data analytics exercise and a technical update.

3.3.2 In respect of the former, KPMG have extracted and modelled raw data from Council systems (payroll, accounts payable and journals) in order to produce data analytics for investigation by Council officers. Officers have been asked to validate the findings and provide appropriate explanations to enable KPMG to report any control issues or inefficiencies to this Committee in September.

3.3.3 The technical update provides a series of articles and announcements which may impact on Local Government. The update is split between those that could have an impact on the Council whilst others are for information only.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The interim audit 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 City Priorities

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 provides an initial assessment as to 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 does not require a key decision and is therefore not subject to call-in.

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 2013/14 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.

5.2 Further work is required on validating the data analytics prior to reporting the findings to this Committee in September.

6 Recommendations

6.1 It is recommended that Members note:

- The 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; and
- That KPMG have undertaken a data analytics exercise, the findings of which will be reported to this Committee in September.

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.