

**Report of the Chief Officer (Financial Services)**

**Report to** Corporate Governance and Audit Committee

**Date:** 7<sup>th</sup> April 2017

**Subject:** KPMG Audit Plan 2016/17

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. The attached report from KPMG represents their full audit plan for 2016/17, covering their audit approach, timing of audit work, and the significant audit risks identified to date.

**Recommendations**

2. Members of the Corporate Governance and Audit Committee are asked to note and agree the nature and scope of the audit plan presented by KPMG.

## **1 Purpose of this report**

- 1.1 To inform members of KPMG's audit plan for the audit of the Council's accounts and value for money arrangements. The attached report from KPMG highlights the risk based approach to the audit and the main risks they have identified for 2016/17.

## **2 Background information**

- 2.2 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's audit has two key objectives, to give an opinion on the council's financial statements (including the annual governance statement), and to review and report on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Their audit plan sets out their approach to this work and the planned timing of their reporting to the council during the year.
- 3.2 In relation to their audit of the council's statement of accounts, KPMG have identified two areas where, due to the size of the assets and liabilities involved, there is potentially a significant risk of a material misstatement. These are the valuation of property plant and equipment, and the valuation of the net pension liability. The figures for pensions liabilities and asset in the 2016/17 accounts will incorporate the data and assumptions from the 2016 Triennial Valuation of the West Yorkshire Pension Fund.
- 3.3 KPMG have also identified as a further area of audit focus some presentational changes which councils are required to make for the 2016/17 statement of accounts. This year's Comprehensive Income and Expenditure Statement will show the Net cost of services on the basis of the council's directorate structure rather than on the basis of standard service categories. A new disclosure note called the Expenditure and Funding Analysis will also be required, which will analyse the difference between directorates' outturn positions and their net expenditure on an accounting basis as it appears in the Comprehensive Income and Expenditure account. More summarisation of figures within the Movement of Reserves statement is also permitted for 2016/17, although councils are not required to adopt this change.
- 3.4 In relation to their audit of the council's arrangements for securing value for money, KPMG have identified the key risk as being the council's overall financial standing, given the continuing significant financial pressures which it faces.
- 3.5 The audit plan confirms that KPMG's proposed audit fee for 2016/17 is £232k, the same as the fee for 2015/16.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 The 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.

### **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 plan for discharging their responsibilities in respect of the external audit of the Council's 2016/17 accounts and for assessing the Council's arrangements for securing value for money. They have also identified what they see as the main risks.

## **6 Recommendations**

6.1 Members of the Corporate Governance and Audit Committee are asked to note and agree the nature and scope of KPMG's external audit plan.

## **7 Background documents<sup>1</sup>**

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<sup>1</sup> 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

7.1 None.

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published works.