

Report of **the Chief Finance Officer**

Report to **Corporate Governance and Audit Committee**

Date: **22nd January 2018**

Subject: **2017/18 Accounts Timescales and KPMG Audit Plan**

Are specific electoral Wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, name(s) of Ward(s):		
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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

Summary of main issues

1. 2017/18 is the first year in which the new statutory timetable for approving the accounts will apply, and the deadline for this committee to approve the 2017/18 final audited accounts will be 31st July 2018.
2. 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 audit plan for 2017/18, covering their audit approach, the timing of audit work, and the significant audit risks identified to date.
3. Looking further ahead, Grant Thornton were formally appointed in December by Public Sector Audit Appointments Ltd as the council's new auditors from 2018/19 onwards.

Recommendations

4. Members are asked to note the new statutory timescales for approval of the 2017/18 statement of accounts, and to confirm that the committee wishes to review the draft accounts at its meeting in June, in addition to the meeting in late July to approve the final audited accounts.
5. 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 the earlier statutory deadlines for approval of the 2017/18 statement of accounts.
- 1.2 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 2017/18.

2 Background information

- 2.1 From 2017/18 onwards, the Accounts and Audit Regulations 2015 require local authorities to approve their final audited accounts by 31st July each year. Within this overall deadline, the draft accounts must be approved by the Responsible Financial Officer by 31st May, and the public inspection period must start no later than 1st June. The documents made available for public inspection must include the Annual Governance Statement, either as a draft or as a final approved document.
- 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 2017/18 Statement of Accounts timetable

- 3.1.1 It is intended that the draft statement of accounts will be approved by the Chief Finance Officer during the last week in May, and the meeting of this committee to approve the final audited accounts is likely to be held in the last week in July.
- 3.1.2 Although it has not been a statutory requirement since 2011 for the draft accounts to be approved by a committee, the Council has continued to present its draft accounts to this committee for information before they are made available for public inspection. Under the new statutory timescales there is likely to be only a few days between the approval of the draft accounts and the start of the public inspection period, and therefore insufficient time for committee papers to be circulated and a meeting held before the public inspection period starts. However an electronic copy of the draft statement of accounts could be circulated to members of the committee by 31st May, before it is made available to the public.
- 3.1.3 Members are asked to confirm that they wish to review the draft accounts at the June meeting of the committee, in addition to the meeting in late July to approve the final audited accounts.

3.2 KPMG's Annual Audit Plan

- 3.2.1 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.
- 3.2.2 In relation to their audit of the council's statement of accounts, KPMG have identified two areas where there is a significant risk of material misstatement due to the scale of the assets and liabilities involved – the valuation of property, plant and equipment and the valuation of pension liabilities and assets. They have also identified the possible renegotiation of a particular lease as potentially significant for the accounts, due to the value of the accounting entries.
- 3.2.3 KPMG's audit plan also highlights the shorter period of time available for the completion of this year's audit, in order to ensure that the final audited accounts are available for the committee to approve in late July.
- 3.2.3 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 pressures which it faces.
- 3.2.4 The audit plan confirms that KPMG's proposed audit fee for 2017/18 is £232k, the same as the fee for 2016/17.

3.3 Appointment of External Auditors for 2018/19

- 3.3.1 During December, Grant Thornton were formally appointed by Public Sector Audit Appointments Ltd as the council's new auditors from 2018/19 onwards.
- 3.3.2 Officers will meet with Grant Thornton over the coming months to discuss the arrangements for a smooth transition between them and KPMG, and will report back to a later meeting of this committee.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The audit timescales and plan do 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 describes the changes to the committee's timetable that will be needed in response to the new statutory deadlines for the approval of the accounts.
- 4.5.2 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.
- 4.5.3 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 The new statutory timescales for local authority accounts will mean that the meeting of this committee which approves the final audited accounts is expected to be held in late July. The committee is asked to confirm that it wishes to also review the draft accounts at its meeting in June.
- 5.2 KPMG have provided the Council with a plan for discharging their responsibilities in respect of the external audit of the Council's 2017/18 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 are asked to note the new statutory timescales for approval of the 2017/18 statement of accounts, and to confirm that the committee wishes to review the draft accounts at its meeting in June, in addition to the meeting in late July to approve the final audited accounts.
- 6.2 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 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.