

Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 10th July 2013

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 accounts process, and an assessment of critical systems and controls which impact on the validity of the Council's financial statements.
2. In completing this work KPMG was able to place full reliance on the work of Internal Audit.
3. The work only identified minor issues in the ICT environment.

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 there are no significant audit issues arising from the interim audit work.

1 Purpose of this report

- 1.1 In line with the audit plan presented to this Committee in March, this report highlights the results of KPMG's interim audit work in relation to the 2012/13 financial statements and the initial work undertaken to support their 2012/13 Value for Money conclusion.

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:

- § Review of the Authority's accounts production process;
- § Review progress on critical accounting matters;
- § Evaluate and test controls over key financial systems;
- § Review of the work undertaken by the internal audit function to determine if they could place reliance upon their work.

2.2 This covering report highlights any significant findings in respect of this audit work.

3 Main issues

3.1 KPMG have completed their interim audit and have not identified any issues which they deem significant enough to require reporting to members. See KPMG's attached letter.

3.2 Council officers have been informed of the minor issues identified in the IT environment and these are being actioned as appropriate. None of the issues identified will have an impact on the accounts and the level of work KPMG will be required to undertake on the audit of the financial statements.

3.3 Whilst not specifically referenced in the letter, 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 are fully compliant with "The Code of Practice for Internal Audit in Local Government" and KPMG can place full reliance on their work;
- § The process for preparing the financial statements is adequate.

3.4 No initial work on the VFM conclusion has been undertaken as part of the Interim audit.

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

- 4.4.2 The interim audit did not involve any initial work on the assessment as to whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

- 4.5.3 The report does not require a key decision and is therefore not subject to call-in.

4.6 Risk Management

- 4.6.4 KPMG have not identified any significant risks in the interim audit which require officer action as part of the process for completing the 2012/13 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 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 there are no significant audit issues arising from the interim audit work.

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.