

Summary Sheet

Council Report

Audit Committee

Title

External Audit Plan 2016/17

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger – Strategic Director of Finance and Customer Services

Report Author(s)

Graham Saxton – Assistant Director, Financial Services

Finance & Customer Services Directorate

01709 822034 graham.saxton@rotherham.gov.uk

Ward(s) Affected

All

Executive Summary

The Council's external auditor, KPMG, has a duty to:

- Give an opinion on the Council's financial statements, and
- Conclude on whether the Council has arrangements in place to secure value for money in the use of its resources

The External Audit Plan attached as Appendix 1 sets out the audit approach KPMG are planning to take to discharge these duties.

Recommendation

That Audit Committee approves KPMG's External Audit Plan, noting the proposed areas of audit identified.

List of Appendices Included

Appendix 1 – External Audit Plan 2016/17

Background Papers

Code of Audit Practice 2015

Audit Fee letter 2016/17

Public Sector Audit Appointments work programme and scale of fees 2016/17

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

External Audit Plan 2016/17

1. Recommendation

That Audit Committee approves KPMG's External Audit Plan, noting the proposed areas of audit identified.

2. Background

2.1 The National Audit Office's Code of Audit Practice 2015 (the Code) sets out the external auditor's statutory responsibilities in relation to local public bodies. These are to:

(i) Give an opinion on whether the Statements of Accounts give a true and fair view of the Council's financial position and financial performance for the year being reported on and whether they have been prepared in accordance with proper practice, and

(ii) Conclude on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (known as the Value for Money conclusion).

2.2 The Code requires that external auditors' work should be risk-based and proportionate to meeting their statutory responsibilities and tailored to the local circumstances of the Council and the risks this gives rise to. The External Audit Plan attached as Appendix 1 sets out the approach to the audit of the financial statements and Value for Money conclusion and the risks that have been identified.

3. Key Issues

3.1 Audit of the Financial Statements

3.1.1 Page 2 of the External Audit Plan sets out the overall materiality KPMG have set for determining whether or not the Council's Statement of Accounts give a true and fair view. The overall materiality for 2016/17 is £11m. KPMG have also specified a "triviality" threshold below which individual uncorrected misstatements or omissions would not normally be reported to Audit Committee – this threshold is £550,000.

3.1.2 Page 4 of the External Audit Plan sets out the significant risks and areas of audit focus that KPMG have identified from their planning process which will require closer audit attention and the work they intend to carry out in relation to these items.

3.1.3 KPMG will report the outcomes from their audit of the financial statements in a report to Audit Committee in September (ISA 260 report).

3.2 Value for Money Conclusion

3.2.1 Pages 8 and 9 of the External Audit Plan set out the approach to determining whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, ie the Value for Money conclusion.

3.2.2 Page 12 of the External Audit Plan sets out the risks KPMG have identified requiring special audit attention, which may prevent them from being able to reach a positive VFM Conclusion, namely:

- The extent to which Governance arrangements have improved since the Corporate Governance report was issued in February 2015, and
- The Council's financial resilience in the face of having to make substantial savings over the next three years

3.2.3 KPMG will report their Value For Money Conclusion findings in the ISA 260 report which will be presented to Audit Committee in September.

4. Options considered and recommended proposal

4.1 Having an audit under the Code is a statutory requirement. As such there is no discretion on whether or not to comply.

5. Consultation

5.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that there is a clear understanding of the risks identified in the External Audit Plan and supporting information KPMG will require to evidence that they have been addressed satisfactorily.

6. Timetable and Accountability for Implementing this Decision

6.1 Page 14 of the External Audit Plan sets out the timetable for reporting formally key stages of the audit. The ISA 260 report has been scheduled for September to enable the Council to meet the statutory deadline for publishing its audited financial statements of 30 September.

7. Financial and Procurement Implications

7.1 As set out on Page 13 of the External Audit Plan, the planned audit fee is £140,828. This is in line with the 2016/17 work programme and scale of fees published by Public Sector Audit Appointments in March 2016.

8. Legal Implications

- 8.1 None, other than to note that the External Audit Plan has been prepared to meet external auditors' statutory responsibilities under the Local Audit and Accountability Act 2014 and Code of Audit Practice 2015

9. Human Resources Implications

- 9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

11. Equalities and Human Rights Implications

- 11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

- 12.1 Partners, stakeholders, the media and general public may take an interest in the Value For Money Conclusion as an independent assessment of the progress that the Council has made over the course of 2016/17 against its improvement plan.

13. Risks and Mitigation

- 13.1 Steps have been taken to ensure that appropriate and sufficient evidence is provided for the significant risks and areas of audit focus identified in the External Audit Plan.

14. Accountable Officer(s)

Judith Badger (Strategic Director of Finance and Customer Services)

Approvals Obtained from:-

Assistant Director, Financial Services – Graham Saxton

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