

## Summary Sheet

### Council Report

Audit Committee

### Title

External Audit ISA 260 Report

### 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 & Customer Services

### Report Author(s)

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### Ward(s) Affected

All

## Executive Summary

The ISA 260 report attached at Appendix 1 sets out KPMG's overall conclusions from their 2016/17 audit in relation to their two statutory objectives:

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

This represents the final stage of the audit process in which Members are asked to consider KPMG's findings before formally approving the 2016/17 Statement of Accounts (Appendix 2) and the 2016/17 Narrative Report (Appendix 3) for publication as final and to issue KPMG with the Letter of Management Representations (attached as Appendix 4) which KPMG require to complete their audit.

Members will note that KPMG intend to issue an unqualified opinion on the Statement of Accounts.

In relation to the “value for money” conclusion, KPMG have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

### **Recommendations**

**The Audit Committee is asked to:**

- i. Consider KPMG’s overall audit findings from their 2016/17 audit as set out in the ISA 260 report attached at Appendix 1;**
- ii. Having taken due regard of these findings, formally approve the 2016/17 Statement of Accounts attached as Appendix 2 for publication as final and the 2016/17 Narrative Report attached as Appendix 3 for publication as final; and**
- iii. Approve that KPMG be issued with the Letter of Management Representation attached as Appendix 4**

### **List of Appendices Included**

Appendix 1 – KPMG’s ISA 260 report

Appendix 2 – 2016/17 Statement of Accounts to be published as final

Appendix 3 – 2016/17 Narrative Report to be published as final

Appendix 4 – Letter of Management Representation

### **Background Papers**

Accounts and Audit Regulations 2015

CIPFA Code of Practice on Local Authority Accounting 2016/17

Interim Audit Letter 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 ISA 260 report**

### **1. Recommendations**

**The Audit Committee is asked to:**

- i. Consider KPMG's overall audit findings from their 2016/17 audit as set out in the ISA 260 report attached at Appendix 1;**
- ii. Having taken due regard of these findings, formally approve the 2016/17 Statement of Accounts attached as Appendix 2 for publication as final and the 2016/17 Narrative Report attached as Appendix 3 for publication as final; and**
- iii. Approve that KPMG be issued with the Letter of Management Representation attached as Appendix 4**

### **2. Background**

- 2.1 At the Audit Committee meeting on 19 April 2017 members received KPMG's Audit Plan for 2016/17 which set out the audit approach KPMG planned to take to discharge their audit objectives and the risks they had identified in relation thereto, and, then at the Audit Committee meeting on 19 July 2017 members were presented with an interim Audit report from KPMG on the interim position setting out progress following the planning and controls evaluation stages of their audit.
- 2.2 The ISA 260 report, attached as Appendix 1, summarises KPMG's overall conclusions from their 2016/17 audit in relation to their two statutory objectives:
  - To give an opinion on the Council's financial statements, and
  - To conclude on whether the Council has arrangements in place to secure value for money in the use of its resources (Value for Money Conclusion)
- 2.3 In order to complete the audit process in compliance with the Accounts and Audit Regulations 2015, the Audit Committee, as the body charged with governance within the Council, is required to formally resolve that the Statement of Accounts and Narrative Report be approved for publication. Approval can now take place, as the period for local electors to exercise their rights to ask questions of the auditor or to raise a formal objection that an item of account is unlawful has expired – it ended on 11 August 2017.
- 2.4 KPMG also requires as part of their audit completion processes, that they are provided with a Letter of Management Representations providing additional assurance on certain matters. The Letter of Management Representations (attached as Appendix 4) has been agreed by the Strategic Director of Finance and Customer Services: It now also needs Audit Committee agreement.

### **3. Key Issues**

#### **3.1 Statement of Accounts**

3.1.1 The unaudited 2016/17 Statement of Accounts was published on the Council's website on 30 June 2017 alongside the draft Annual Governance Statement and draft Narrative Report.

3.1.2 A report was brought before this Committee on 19 July 2017 to highlight key aspects of the 2016/17 Statement of Accounts and changes to local authority financial reporting.

3.1.3 The unaudited Statement of Accounts and draft Narrative Report have now been audited by KPMG. We are pleased to report, that **no audit adjustments** have been necessary other than a small number of presentational changes. All of these presentational changes have been incorporated into the final versions of both the Statement of Accounts and the Narrative Report which Audit Committee are being asked to approve (Appendices 2 and 3). None of the presentational changes affect the financial performance or financial position of the Council previously reported in the unaudited Statement of Accounts.

3.1.4 The ISA 260 report also confirms that:

- Working papers were of a high standard, and
- Audit queries were dealt with in a timely and efficient manner

3.1.5 In terms of the areas of significant audit risk and areas of audit focus, KPMG have confirmed on pages 5 to 9 of the ISA 260 that no issues have been identified and that reasonable professional judgement has been exercised.

3.1.6 There were 5 recommendations made in relation to the accounts production and audit process (4 medium priority ones and 1 low priority one). This is a small number and are summarised in Appendix 1 to the ISA 260 together with management responses. The commentary on the 2015/16 recommendations confirms that satisfactory action was taken to implement those recommendations.

3.1.7 Finally, page 14 to the ISA 260 confirms that there are no other matters which need to be highlighted to Audit Committee other than those included elsewhere in their report.

#### **3.2 Value for Money (VFM) Conclusion**

3.2.1 Section 2 of the ISA 260 on pages 15 to 21 of the ISA 260 report sets out the approach, risks, work and conclusion reached by KPMG on whether the Council has satisfactory arrangements in place to secure the economy, efficiency and effectiveness in the use of its resources.

- 3.2.2 The conclusion reached, is that the Council has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

#### **4. Options considered and recommended proposal**

- 4.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is for Audit Committee to meet its responsibilities in relation to the closure of the accounts.

#### **5. Consultation**

- 5.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the financial statements being prepared.

#### **6. Timetable and Accountability for Implementing this Decision**

- 6.1 The statutory deadline for publishing the audited financial statements is 30 September. KPMG anticipate giving an unqualified opinion before this date which will enable this deadline to be met.

#### **7. Financial and Procurement Implications**

- 7.1 There are no financial or procurement implications directly associated with this report, other than continuing to produce good quality financial statements and supporting working papers which meet KPMG's expectations and will help to minimise the audit fee.

#### **8. Legal Implications**

- 8.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 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 There are no other implications arising from this report to Partners or other directorates.

**13. Risks and Mitigation**

- 13.1 Robust project management arrangements have been put in place to ensure that the financial reporting timetable is adhered to and quality standards met.

**14. Accountable Officer(s)**

Judith Badger – Strategic Director of Finance & Customer Services