



External Audit Plan 2017/18

**AUDIT COMMITTEE MEETING
DATE 2018/19**

18 April 2018

CLASSIFICATION:

Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. GROUP DIRECTOR'S INTRODUCTION

- 1.1. This reports introduces the 2017/18 External Audit Plan from KPMG, the Council's external auditors. This sets out the detail regarding the delivery of the audit of the 2017/18 Accounts, including the Pension Fund Accounts.
- 1.2. The Plan sets out the key risks identified in respect of the financial statements audit, the approach to be taken for the audits along with information on the audit team, proposed deliverables from KPMG, timescales for the audit and related fees. The External Audit Plan has been agreed with relevant officers of the Council.

2. RECOMMENDATION(S)

2.1 The Audit Committee is recommended to:

Consider and note the contents of the attached report from KPMG, the Council's external auditor.

3. REASONS FOR DECISION

- 3.1 The Audit Committee are "those charged with governance" in respect of the Council's annual statement of accounts and other financial matters. As such, they receive regular reports from KPMG, the Council's external auditors, in relation to the accounts and the external audit. This report provides the Committee with details of the audit arrangements in respect of the 2017/18 Statement of Accounts, including the Pension Fund Accounts.

4. BACKGROUND

4.1 Policy Context

The External Audit Plan attached sets out the arrangements for the audit of the Council's annual Statement of Accounts and the Pension Fund Accounts as required by the relevant legislation and related Accounts and Audit Regulations.

4.2 Equality Impact Assessment

This report does not require an equality impact assessment.

4.3. Sustainability

Not Applicable.

4.4 Consultations

KPMG consulted with relevant senior officers of the Council in the preparation of the External Audit Plan.

4.5 Risk Assessment

As set out in the Plan, the external auditors have considered the key risks and this has informed the audit approach as set out in the detailed report from KPMG attached to this report as an Appendix.

4.6 External Audit Plan 2017/18

- 4.6.1 KPMG have identified two significant risks in relation to the Authority's accounts where audit attention will focus due to the likelihood for potential financial misstatement, these being in respect of the valuation of land and buildings and the valuation of the Pension liabilities. Details of these risks and the audit approach to these is set out on page 5 and of the External Audit Plan, attached as an appendix to this report.
- 4.6.2 Several other areas of audit focus have also been identified, as set out on pages 6 and 7 of the Plan. These are noted as worthy of audit understanding, although present less likelihood of giving rise to material error in the accounts.
- 4.6.3 In relation to the audit of the Pension Fund Accounts, the auditors have identified just one significant risk relating to the valuation of hard to price investments, set out on page 8 of the External Audit Plan.
- 4.6.4 In completing the initial planning VFM risk assessment the auditors have not identified any significant risks to the VFM conclusion, although there are two areas of audit focus set out on page 11 of the External Audit Plan – the delivery of budgets and contract monitoring. The approach to this work is set out on pages 10-11 of the External Audit Plan.
- 4.6.5 At the time of writing this report, the interim audit had already taken place in mid-March and no significant issues have arisen. The main audit will take place from mid-June through to the date of the July Audit Committee, where the auditors will report their findings to Audit Committee, prior to issuing the audit opinion.

5. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 5.1 As set out in the External Audit Plan, the overall fee to be charged in respect of the annual audit of accounts is expected to be £226,320, unchanged from the fee in respect of the 2016/17 accounts. This is in line with the fee set out in the Annual Fee Letter, although it is recognised that this is based upon a number of assumptions regarding risks, quality and timeliness of working papers and compliance with the CIPFA Code of practice on Local Authority Accounting. Any deviation from such assumptions could impact on the final fee charged.
- 5.2 In addition to the main audit fee, the charge for audit of the Pension Fund accounts and annual report is expected to be £21k, the same as in 2016/17.
- 5.3 Additional fees in respect of the audit of grant and claims work under the PSAA arrangements (Housing Benefits grant claim, Pooling of housing capital receipts return and the Teachers' Pension Contribution Return) total an expected £45,866.
- 5.4 The costs outlines above are all contained within existing budgets.

6. COMMENTS OF THE DIRECTOR, LEGAL

- 6.1 The Council is required to have its annual statement of accounts audited in line with current legislation and related regulations.
- 6.2 The external auditor's statutory responsibilities are set out in the Local Audit and Accountability Act 2014 and the national Audit Office's Code of Audit Practice. They are required to audit/review and report on the financial statements, providing an opinion and the use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness (the VFM conclusion).
- 6.3 The External Audit Plan proposals accord with the required arrangements

APPENDICES

Appendix 1 - External Audit Plan 2017/18

BACKGROUND PAPERS

None

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