

6. EXTERNAL AUDIT - 2015/16 AUDIT PLAN (A1362/RMM)

Purpose of the report and key issues

1. This report asks Members to consider the 2015/16 External Audit Plan from our external auditors, KPMG. John Cornett, Director at KPMG will be at Committee to present the Plan and to answer any questions.

Key Issues:

- The external auditor presents the plan for auditing the financial statements and value for money arrangements at this time every year
- The plan for auditing the 2015/16 year is given at Appendix 1
- Achieving unqualified opinions from the external auditor is a corporate performance indicator

Recommendations

2. **1. That the 2015/16 External Audit Plan be considered and acknowledged**

How does this contribute to our policies and legal obligations?

3. The work of the external auditors is a key part of our governance arrangements and helps us to monitor and improve performance against our corporate strategy cornerstone of 'developing our organisation so we have a planned and sustained approach to performance at all levels' (cornerstone: our organisation). Achieving unqualified opinions from the external auditor is a corporate performance indicator.

Background

4. The statutory responsibilities and powers of auditors appointed by Public Sector Audit Appointments Ltd (PSAA) are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice. Considering the external auditor's audit plan is part of the normal Audit, Resources and Performance Committee work programme.
5. The National Audit Office has issued new guidance for the Value for Money (VFM) audit which applies from the 2015/16 audit year. The guidance makes it clear that a full VFM approach is required for authorities that previously came within the 'smaller bodies' regime. Therefore there are some notable changes from the previous VFM audit regime which will now apply to the Authority including new criteria on which the auditor's VFM conclusion is based.

Proposals

6. The External Audit Plan for 2015/16 is given at Appendix 1. The plan is based on a risk based approach to audit planning and outlines the work proposed by the external auditor for the audit of financial statements and the value for money conclusion for 2015/16.
7. In accordance with the risk based approach the auditor has highlighted the following as significant audit risks (see page 4 and 9 of Appendix 1):
 - a) Risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error:
 - Reliability of fixed asset register

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- b) Risks requiring specific attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money (VFM):
- At this stage the auditors risk assessment regarding the Authority's arrangements for securing value for money has not identified any VFM significant risks.
8. The planned outputs of the external auditor's work include:
- a) The annual governance (ISA 260) report to committee – September 2016
 - b) An opinion on the Authority's accounts - September 2016
 - c) A VFM conclusion – September 2016
 - d) An assurance statement on the Authority's WGA (Whole of Government Accounts) pack submission – date to be confirmed
 - e) The Annual Audit letter – October/November 2016

Are there any corporate implications members should be concerned about?

9. **Financial:** The planned fees for external audit of £13,259 are funded from the existing Finance Services budget. An additional £2,500 will need to be allocated to the budget to fund the enhanced VFM approach.
10. **Risk Management:**
The scrutiny and advice provided by external audit is part of our governance framework. The auditor's work is based on an assessment of audit risk as explained in Appendix 1.
11. **Sustainability:**
There are no issues to highlight.
12. **Background papers** (not previously published) – None

Appendices

Appendix 1: External Audit Plan 2015/16

Report Author, Job Title and Publication Date

Ruth Marchington, Director of Corporate Strategy and Development, 25 February 2016