

## **12.1 EXTERNAL AUDIT (KPMG) 2016/15 AUDIT FEE LETTER**

### **1. Purpose of the report**

This report asks Members to note a letter from the Authority's external auditor, KPMG, setting out details of the audit work and fee proposed for the 2016/17 financial year.

#### **Key Issues**

- **The Authority's external auditors are KPMG.**
- **At the March meeting of the Committee Members received the Audit Plan for the 2015/16 financial year.**
- **The External Auditor has now written to the Authority to confirm the Audit fee for the 2016/17 financial year. A copy of the letter is attached at Appendix 1.**

### **2. Recommendation**

**To note the letter from the External Auditor (KPMG) setting out details of the audit work and fee proposed for the 2016/17 financial year.**

### **3. How does this contribute to our policies and legal obligations?**

The work of the external auditors is a key part of our governance arrangements and helps us to monitor and improve performance to ensure the Authority has a solid foundation supporting achievement of our four cornerstones and four directional shifts as detailed in our 2016/17 performance and business plan. Achieving an unqualified opinion on the financial statements and satisfying the Auditor that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources through the review of the Annual Governance Statement is a corporate performance indicator.

### **4. Background**

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.

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.

### **5. Proposals**

The External Auditor has written to the Authority to confirm the Audit Fee for 2016/17. The letter indicates that the planned fee for 2016/17 will be £13,259, the same amount as 2015/16.

However when presenting the 2015/16 Audit Plan to committee in March the Auditors highlighted an increase in costs of £2,500 arising from additional work to meet changes to the audit requirements for the value for money assessment. The fee set out in the letter at Appendix 1 does not include this increased amount as it is still subject to approval through the Public Sector Audit Arrangement Service fee variation process.

This means the total annual audit cost will be £15,759, assuming it is approved.

**Are there any corporate implications members should be concerned about?**

**6. Financial:**

The fees for external audit are funded from the existing Finance Services budget. There will need to be an adjustment to the budget to meet the additional costs.

**7. 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.

**8. Sustainability:**

There are no issues to highlight.

**9. Equality:**

There are no issues to highlight.

**10. Background papers (not previously published)**

None

**Appendices**

Appendix 1 – Letter from KPMG – Annual Audit Fee 2016/17

**Report Author, Job Title and Publication Date**

Ruth Marchington, Director of Corporate Resources, 12 May 2016