

6. EXTERNAL AUDIT 2016/17 ANNUAL REPORT A137/21/DH)

1. Purpose of the report

This report asks Members to consider the External Auditors' (KPMG) 2016/17 annual report. John Cornett, Director of KPMG will be at the meeting to present his report. The related reports on the statement of accounts and annual governance statement follow.

Key Issues

Key issues include:

- **The External Auditor expects to give an unqualified audit opinion on the 2016/17 financial statements.**
- **The External Auditor will also report that the Annual Governance Statement for 2016/17 complies with the guidance issued by CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives) and anticipates issuing an unqualified Value For Money (VFM) conclusion.**
- **The External Auditor requires a signed copy of the management representation letter at Annex B prior to issuing his audit opinion.**

2. Recommendations(s)

1. That Members:

- a) **Consider and note the External Auditor's report at Annex A.**
- b) **Note the letter of management representation at Annex B to be signed by the Chair of Audit Resources and Performance Committee and the Chief Finance Officer.**
- c) **Approve the additional audit fee of £1,000 to cover the cost of the additional work undertaken in relation to the Comprehensive Income and Expenditure Statement restatement.**
- d) **To authorise the Chief Finance Officer, in consultation with the Chair of the Committee, to pay any additional audit fee for the triennial pension revaluation when the work is completed.**

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 to ensure the Authority has a solid foundation supporting achievement of our four cornerstones and four directional shifts as detailed in our 2016/17 and 2017/18 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 are corporate performance indicators.

Background Information

4. The duties and powers of auditors are set out in the Local Audit and Accountability Act 2014, the Local Government Act 1999, the Statement of Responsibilities of Auditors and

Audited Bodies and the Code of Audit Practice. Considering the Auditor's report is part of the agreed Audit Resources and Performance Committee work programme.

Proposals

5. The full report for consideration is given at Annex A.
6. The auditor plans to issue an audit report that includes an unqualified opinion on the financial statements subject to this Committee considering this report, approving the financial statements and receiving the letter of management representations at Annex B.
7. The Chief Finance Officer has responded to a number of issues raised by the Auditors as given in his report that follows.

Are there any corporate implications members should be concerned about?

Financial:

8. The fees for external audit are funded from the existing Finance Services budget. The audit fee for this year's audit is £13,259 plus VAT. However the Auditors propose an additional fee of £1,000 due to additional work undertaken in relation to the Comprehensive Income and Expenditure Statement restatement, the Committee is asked to approve the payment of this additional fee. The Auditors are currently unable to quantify the additional fee for the triennial pension revaluation as the work is still yet to be completed. The Committee are therefore asked to authorise the Chief Finance Officer to pay the additional fee on completion of this work, following consultation with the Chair of the Committee.

Risk Management:

9. 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. Annex A describes the Auditor's conclusions against the risks identified in the 2016/17 audit plan.

Sustainability:

10. There are no issues to highlight.

Equality:

11. There are no issues to highlight.

12. Background papers (not previously published)

None

13. Appendices

Annex A. External Audit (KPMG) 2016/17 Annual Report.

Annex B. Letter of management representations.

Report Author, Job Title and Publication Date

David Hickman, Director of Corporate Strategy and Development, 13 July 2017