

## Report of the Executive Manager - Finance and Corporate Services

### 1. Summary

- 1.1 The attached report from KPMG summarises their approach to external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2017/18.
- 1.2 KPMG highlight a number of risks concerning the audit focusing on both the financial statements and value for money. For example, pension liabilities financial resilience and ensuring we close the accounts down in a timely manner given the tighter time constraints commencing this year.
- 1.3 KPMG staff will be available to answer any detailed questions arising from the report.

### 2. Recommendation

It is RECOMMENDED that the Corporate Governance Group accept the Audit Plan.

### 3. Reasons for Recommendation

- 3.1 To comply with the Audit Commission's Code of Audit Practice and relevant legislation and accord with good governance.

### 4. Supporting Information

- 4.1 In past years the Council was required to produce a draft Statement of Accounts by the 30 June which is then subject to review by the Authority's external auditors KPMG and approval by Full Council by the 30 September. Legislation now dictates that both dates are brought forward to 31 May and 31 July respectively. Following the conclusion of this work the final Statement of Accounts, and the auditor's Annual Governance Report, are considered by the Corporate Governance Group prior to their approval by Full Council. For the 2017/18 Statement of Accounts the dates for these two meetings are 17 and 26 July 2018 respectively.
- 4.2 The attached report details the approach that KPMG will use when auditing the 2017/18 Statement of Accounts. It specifies the work they will undertake, when they anticipate undertaking this work, and how they will liaise with

Council staff. It also details the key risks with regards to both the year-end accounts and the Council achieving value for money. These include:

- The completeness and accuracy regarding the Council's valuation of property, plant and equipment;
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts as well as the accounting treatment of the prepayment;
- The Council is making the appropriate steps for a 'faster' closedown (given the 31 May deadline for the production of the financial statements and the requirement that they are approved by Full Council by the 31 July 2018);
- The level of Business Rates appeals are reasonable;
- Financial resilience – the continued delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience; and
- Governance over the Asset Investment Strategy Fund.

4.3 It should be noted that audit fees remain at £41k. Page 19 of the report focuses on potential areas of fee increase which we do not anticipate being realised.

## **5. Other Options Considered**

5.1 Not Applicable.

## **6. Risk and Uncertainties**

6.1 The KPMG report highlights relevant risks (stated at paragraph 4.2 above).

## **7. Implications**

### **7.1 Finance**

The audit fee relating to the costs of the audit work is included within existing budgets.

### **7.2 Legal**

To comply with the Audit Commission Act 1998.

### **7.3 Corporate Priorities**

Not applicable.

#### 7.4 Other Implications

None.

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<b>Background papers Available for Inspection:</b>	None
<b>List of appendices (if any):</b>	<b>Appendix 1</b> – External Audit Plan 2017/18