



Governance & Audit Committee 1 February 2017

External Audit Plan 2016/17

Purpose of report

To set out the External Audit Plan 2016/17 as prepared by the Council's External Auditors, KPMG.

Attachment(s):

Appendix 1 – External Audit Plan 2016/17

1.0 Introduction

1.1 KPMG are the Council's appointed External Auditor for 2016/17.

2.0 External Audit Plan 2015/16

2.1 The document in Appendix 1 describes how KPMG will deliver the financial statement audit work for ENC. It also sets out the approach that will be taken on value for money (VFM) arrangements work for 2016/17.

2.2 The audit plan sets out the headline messages and identifies key risks for the financial statements audit.

2.3 In February 2015, the Audit and Accounts Regulations 2015 were laid before Parliament. A key requirement within the regulations related to the 2017/18 financial year where the timetable for the preparation and approval of accounts is to be brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July (the dates are currently 30 June and 30 September respectively).

2.4 This year's audit plan is being brought forward in readiness for moving towards the implementation deadline. This will mean likely implications for Governance and Audit Committee which will require a review of the meeting schedule going forward as well as ensuring Members can work alongside the council and KPMG to complete the audit within the accelerated timescales.

3.0 Equality and Diversity Implications

3.1 There are no known equalities issues arising from this report.

4.0 Legal Implications

4.1 There are no known legal implications arising from this report.

5.0 Risk Management

5.1 The audit plan in Appendix 1 identifies the key risks for the financial statements audit.

6.0 Resource and Financial Implications

6.1 The 2016/17 planned audit fee is proposed to remain at £45,030. This amount is based on the audit plan shown at Appendix 1. Changes to the audit plan may result

in changes to the audit fee.

6.2 Changes to the audit plan and audit fee may be necessary if:

- New significant audit risks emerge;
- Additional work is required of us by the Audit Commission or other regulators; and
- Additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If any changes to the plan or the fee are required, these will be discussed and agreed with the S151 Officer in advance.

7.0 Constitutional Implications

7.1 The report does not require any amendment to the Council's Constitution.

8.0 Customer Service Implications

8.1 There are no customer service implications arising from the report.

9.0 Corporate Outcomes

9.1 This report links to the following Corporate Outcomes:

- Effective Management


(Demonstrating financial sustainability over the medium term, contributing to the effective management of the Council)

10.0 Recommendations

10.1 The Governance and Audit Committee is asked to:

Note the contents of this report and the External Audit Plan 2016/17.

(Reason: This is an information report which sets out the arrangements for 2016/17 External Audit of the Statement of Accounts)

Legal	Power: Local Audit & Accountability Act 2014 and the National Audit Office Code of Audit Practice.				
	Other considerations: CIPFA Code on Local Authority Accounting				
Background Papers:					
Person Originating Report: Michelle Drewery, Finance Manager mdrewery@east-northamptonshire.gov.uk					
Date: 17/07/17					
CFO 18/1/17		MO		CX	

(Committee Report Normal Rev. 22)



External Audit Plan 2016/2017

East Northamptonshire District Council

January 2017

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£700,000**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and the level for this has been set at **£35,000**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation;
- Revenue Recognition; and
- Management override of controls.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Changes to the formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, as required by the 2016 CIPFA Code of Practice on Local Authority Accounting.
- Provision for business rates appeals.

See pages 3 to 5 for more details.

Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk:

- Working in partnership and financial resilience in the local and national economy.

See pages 7 to 11 for more details.

Logistics



Our team is:

- Jon Gorrie – Director
- Asim Iqbal – Assistant manager

More details are on **page 14**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £ £45,030 (£45,030 2015/2016) see **page 12**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 7 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17.





Financial Statements Audit Planning

Our planning work has taken place during December 2016. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Other potential areas considered by our audit approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for Northamptonshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Northamptonshire County Council, who administer the Pension Fund.

Approach : As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the Pension Fund Audit Team, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Fraudulent revenue recognition:

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised.

We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Management override of controls:

Management are typically in a powerful position to perpetuate fraud owing to its ability to manipulate records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

In line with this methodology we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

- **2016 CIPFA Code on Local Authority Accounting:** The new Code includes a small number of important changes in reporting requirements. The changes include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of a new Expenditure and Funding Analysis as a result of CIPFA's 'Telling the Story' review of the presentation of local authority financial statements.
- **Approach:** We will liaise with the Authority's finance team regarding the new requirements and agree the new disclosures, including the restatement of the prior year comparators.

Other area of audit focus 2

- **Provision for business rates appeals:** The volatility surrounding changes to business circumstances continues in 2016/17. Under the business rates regime the authority retains a greater share of business rates collected and hence any successful appeals will directly impact on this income stream. Also, there is a change in criteria for recognising the provision for business rate appeal in 2016-17. The Authority currently has over 280 appeals outstanding (based on the Valuation Office data provided at 31 October 2016 for the appeals listing) which are estimated to have a financial impact of £2.4m (of which ENC's share is £0.96m). The number is expected to increase following revaluation. Factors such as business rate reliefs, valuations for new businesses and change in recognition criteria will have an impact on accounting for business rates provision and remain a risk to the Authority.
- **Approach:** We will review the basis for the provision and assess its adequacy.

Financial statements audit planning (cont.)



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

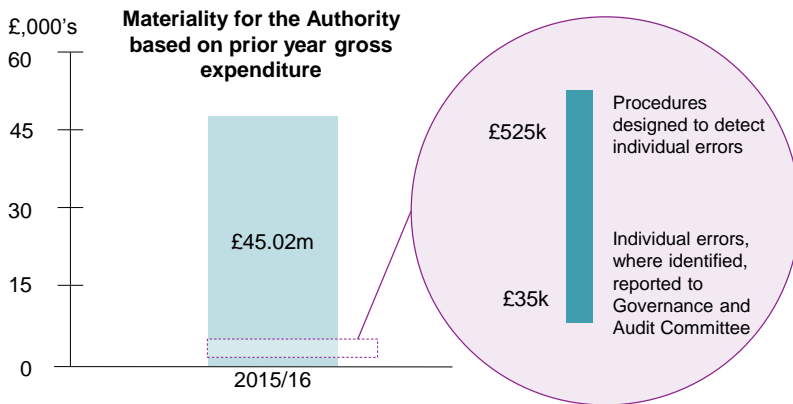
Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £700k, which equates to 1.55 percent of gross expenditure for 2015-16.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Governance and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.



Based on our judgement and current risk assessment of the Authority, we have set materiality at £700k (£700k in 2015-16), which is 1.55% of total expenditure (1.51% in 2015-16). We design our procedures to detect individual errors at £525k for the year ended 31 March 2017, and we have some flexibility to adjust this level downwards.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £35k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.

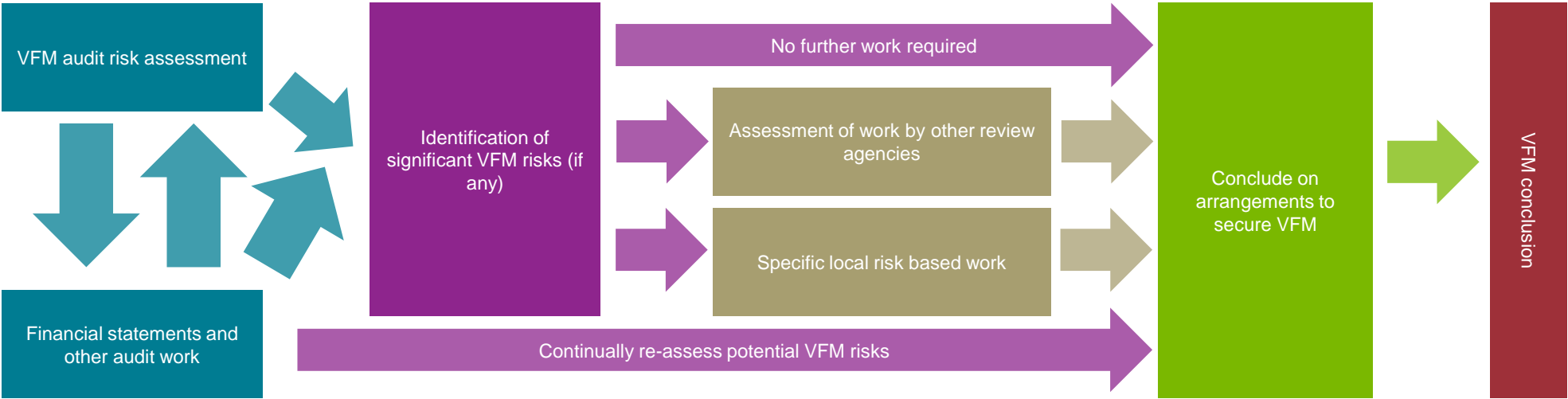


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant <i>'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</i></p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summaries any specific matters arising, and the basis for our overall conclusion.</p> <p>If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.</p> <p>The key output from the work will be the VFM conclusion (i.e. our conclusion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Significant Risk 1

■ Working in partnership and financial resilience in the local and national economy:

The Government's Spending Review in 2015 confirmed their intention to move to a different funding system over the next few years – with less reliance on Revenue Support Grant and an increasing dependence on business rate income as a major source of income. That, together with likely significant reductions in New Homes Bonus funding from 2017/18 means the Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector.

The 2016/17 budget was set with a surplus of £834k, which will contribute towards reserves at the end of the financial year. Quarter two Budget monitoring is currently showing a forecast underspend of £98k. This demonstrates that the council is managing within current resources. The majority of this underspend is attributable to planning fee income. At present the £98k underspend will form a contribution to revenue reserves at the end of the financial year along with the £834k surplus initially planned. In December 2016, the Authority set its final 2017/18 budget and Medium Term Financial Plan (MTFP), covering the period up to 2020/21. The Authority has set a net revenue budget of £9.2m for 2017/18 to maintain current services. The current projections demonstrate that for 2017/18 the outlook is generally healthy with expected surpluses that will allow the Authority to contribute around £150k of resources to reserves. However, the outlook for 2018/19 and beyond is less optimistic and will require savings of £2m to achieve MTFP. The Authority has an ambition to continue to deliver growth throughout the District, to generate additional income and move away from the financial constraints under which it currently operates. The Medium term financial plan reflects this and sets out a number of work streams for the next four years on which to focus to ensure that the District can thrive and prosper. Some of these work streams focus on improving efficiency or better financial performance from major contracts; while others are looking to secure new or improved income streams.

Although, the Authority only has a part dependence on New Homes Bonus funding in Medium term financial plan – it will nevertheless need to ensure that it continues to deliver efficiencies and moves forward its policy for generating income through investments and commercial activities. The risk for the authority is affected by the unpredictability in local government environment and cost pressures, and not able to achieve its Medium term financial plan.

Approach

We will review the future financial plans for the Authority and consider:

- Core assumptions in Medium term financial plan;
- The extent to which savings/ efficiencies were achieved in 2016/17 and have been identified for 2017/18; and
- Assess the overall impact of partnership working arrangements with the County Council and other neighbouring local authorities and other partners to deliver efficiencies and income generation plans.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Jon Gorrie. This is the third year that Jon has led the audit team providing continuity and consistency. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Governance and Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

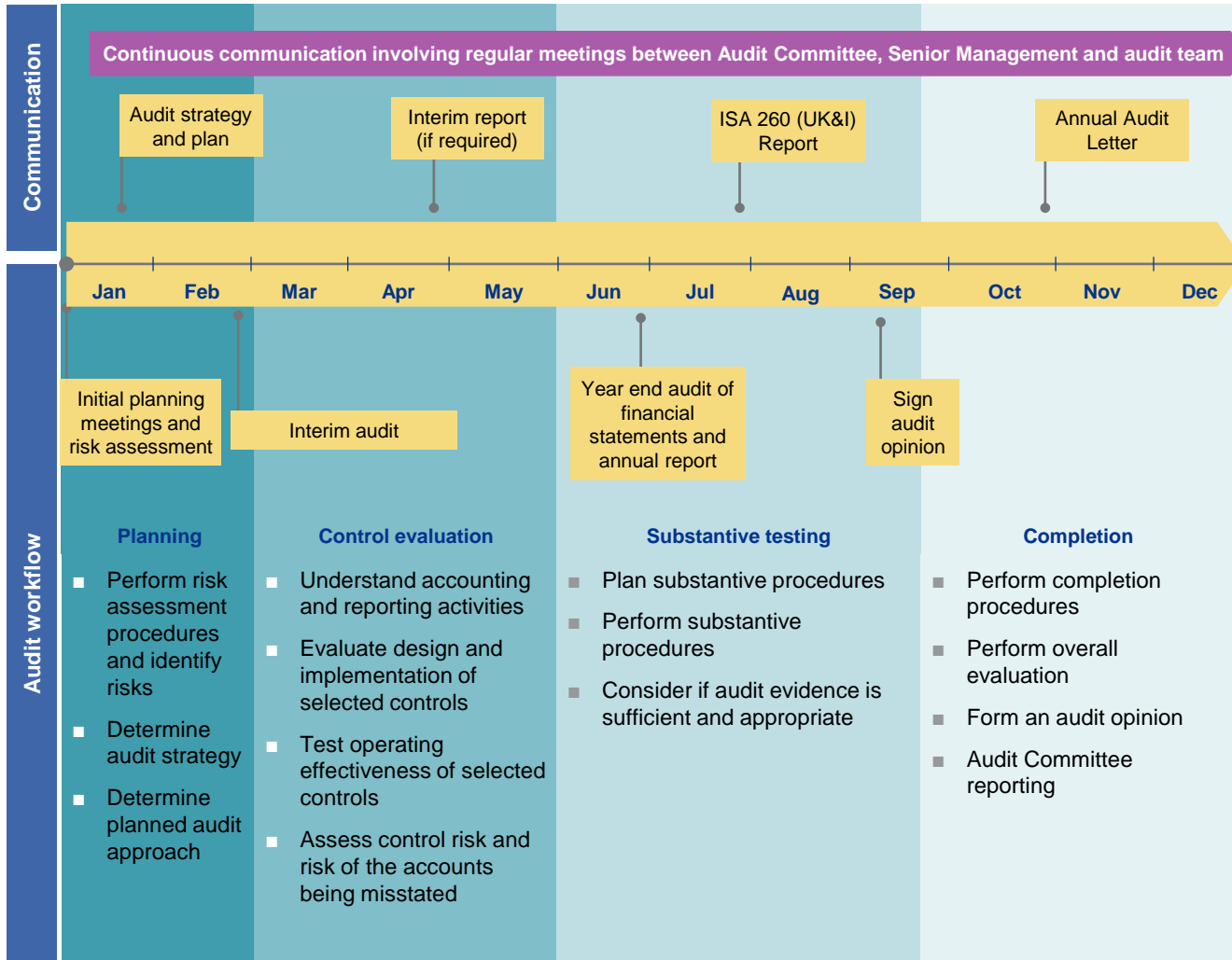
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 communicated to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. The planned audit fee for 2016/17 is £45,030. We have not at this stage proposed any change to the scale fee. We have identified significant audit risks and an other area of audit focus in this plan and will update the Authority if the fee needs to change to accommodate any additional audit work required in response to these matters.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable, payroll and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department.



Name	Jonathan Gorrie
Position	Partner/Director
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Governance and Audit Committee and Chief Executive.'

Jonathan Gorrie

Director

0121 2323645

Jonathan.Gorrie@KPMG.co.uk



Name	Asim Iqbal
Position	Assistant Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with director to ensure we add value. I will liaise with the Chief Finance Officer and Head of Internal Audit.'

Asim Iqbal

Assistant Manager

07825 207523

Asim.Iqbal@KPMG.co.uk

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Governance and Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of January 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Appendix 4: The Local Government Landscape





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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Jon Gorrie, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.