Purpose of report
To set out the External Audit Plan 2017/18 as prepared by the Council’s External Auditors, KPMG.

Attachment(s):
Appendix 1 – External Audit Plan 2017/18

1.0 Introduction
1.1 KPMG are the Council’s appointed External Auditor for 2017/18.

2.0 External Audit Plan 2017/18
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 2017/18.
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 for 2016/17 were 30 June and 30 September respectively).
2.4 The audit plan for 2016/17 was successfully brought forward in readiness for moving towards the implementation deadline. Implications for Governance and Audit Committee require a review of the meeting schedule for 2018/19 to ensure 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 2017/18 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 Implications for Our Customers

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 2017/18.

(Reason: This is an information report which sets out the arrangements for 2017/18 External Audit of the Statement of Accounts)

<table>
<thead>
<tr>
<th>Legal</th>
<th>Power: Local Audit &amp; Accountability Act 2014 and the National Audit Office Code of Audit Practice.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Other considerations: CIPFA Code on Local Authority Accounting</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Background Papers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person Originating Report: Michelle Drewery, Finance Manager</td>
</tr>
<tr>
<td><a href="mailto:mdrewery@east-northamptonshire.gov.uk">mdrewery@east-northamptonshire.gov.uk</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date: 15/01/18</th>
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<tbody>
<tr>
<td>CFO</td>
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</tbody>
</table>

(Committee Report Normal Rev. 22)
External Audit Plan 2017/2018

East Northamptonshire District Council

January 2017
Summary for Governance & Audit Committee

**Financial statements**

There are no significant changes to the Code of Practice on Local Authority Accounting (“the Code”) in 2017/18, which provides stability in terms of the accounting standards local authority bodies need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017.

We recognise that the Authority has successfully advanced its own accounts production timetable in prior years so as to align with the new deadlines. As a result, we do not feel that this represents a significant risk, although it is still important that the authority manages its closedown process to meet the earlier deadline.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

**Materiality**

Materiality for planning purposes has been set at **£0.7 million** for East Northamptonshire District Council.

We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance and this has been set at a level of £35,000 for East Northamptonshire District Council.

**Significant risks**

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

- **Valuation of Pension Liabilities** – The valuation of East Northamptonshire District Council’s pension liabilities, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will assess whether controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.

- **Valuation of property, plant and equipment** - The Authority revalues its Property, Plant and Equipment assets on a rolling basis over a five year period, with a full valuation every fifth year. The Code requires that the Authority ensures that the carrying value of the assets at the balance sheet date is not materially different from current value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated at the balance sheet date.

See pages 4 to 7 for more details
Summary for Governance & Audit Committee (cont.)

Financial Statements (cont.)
Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of additional audit focus have been identified as:

- Related Party Disclosure – Bodies are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Authority’s perspective but material from a related party viewpoint then the Authority must disclose it. We will review the governance processes in place at the Authority to capture declarations of interest and report related party transactions for inclusion within the financial statements.

Value for Money Arrangements work
Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk to date:

- Delivery of Budgets – The Authority continues to face significant financial pressures and uncertainties in relation to its future funding levels with grant allocations for future years not yet being published. We will review the assumptions in Authority’s latest Medium Term Financial Strategy to support the effective and sustainable delivery of strategic priorities and maintaining statutory functions.

- Investments in 2017-18 – In 2017/18, the Authority invested in investment properties to generate future income. As per National Audit Office (NAO) guidance, Authority’s are required to understand and use appropriate and reliable financial and performance information to support informed decision making including where relevant, business cases supporting significant investment decisions. As part of our audit work, we will assess the Authority’s governance arrangements for investment decisions and robustness of investment business cases.

See pages 11 to 15 for more details.

Logistics
Our team is:

- Jon Gorrie – Director
- Asim Iqbal – Manager
- Nico Chitsa – Assistant Manager

More details are in Appendix 2 on page 20.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan, an Interim Report/Letter and a Report to Those Charged With Governance as outlined on page 18.

Our fee for the 2017/18 audit of East Northamptonshire District Council is £45,030 (£45,030 2016/17) See page 17. These fees are in line with the scale fees published by PSAA.

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

Background and Statutory responsibilities
This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, 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, the National Audit Office’s Code of Audit Practice and the PSAA Statement of Responsibilities.

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

01 Financial statements:
Providing an opinion on your accounts. We also review each Annual Governance Statement and Narrative Report and report by exception on these; and

02 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. Any change to our identified risks will be reported to the Governance & Audit Committee.

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 six stage process which is identified below. Page 11 and 12 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.
Financial Statements Audit Planning

Our planning work takes place during December 2017 to January 2018. This involves the following key aspects:

— Determining our materiality level;
— Risk assessment;
— Identification of significant risks;
— Consideration of potential fraud risks;
— Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
— Consideration of management’s use or experts; and
— Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing 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 East Northamptonshire District Council 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 below 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.
Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to East Northamptonshire District Council.

Valuation of Pension Liabilities

The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Northampton Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Approach:

As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Hymans Robertson.

We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG actuary. We will review the methodology applied in the valuation by Hymans Robertson.

In addition, we will review the overall actuarial valuations and consider the disclosure implications in the respective financial statements of the Authority.
Financial statements audit planning (cont.)

**Significant Audit Risks**

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to East Northamptonshire District Council.

<table>
<thead>
<tr>
<th>Risk: Valuation of Property, Plant and Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority revalues its assets on a rolling basis over a five year period, with a full valuation every fifth year. A full valuation of East Northamptonshire Council’s Land and Buildings was last revalued as at 31st March 2015 by Wilks Head and Eve LLP. The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from current value. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</td>
</tr>
</tbody>
</table>

| Approach: |
| We will review of management’s processes and assumptions for the calculation of the estimate and consider the robustness of that approach. We will review of the competence, expertise and objectivity of any management experts used. |
| In addition, we will also review of the instructions issued to valuation experts and the scope of their work. |
| Our work will also include testing of revaluations made during the year to ensure they are input correctly into the Authority’s asset register and correctly reflected in the financial statements. |
### 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.

<table>
<thead>
<tr>
<th>Risk:</th>
<th>Related Party Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bodies are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Organisation’s perspective but material from a related party viewpoint then the Organisation must disclose it.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Approach:</th>
<th>We will review disclosures for completeness and testing to supporting evidence.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We will review the governance processes in place at the Authority to capture declarations of interest and report related party transactions for inclusion within the financial statements.</td>
</tr>
</tbody>
</table>
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.

For East Northamptonshire District Council, the materiality for planning purposes has been set at £0.7 million, which equates to 1.55 percent of the forecast gross expenditure.

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

Forecast Gross Expenditure: £45m (2016/17: £45m)

Materiality

£0.7m

1.55% of Expenditure

(2016/17: £0.7m, 1.55%)

£35k

Misstatements reported to the Governance & Audit Committee (2016/17: £35k)

£0.5m

Procedures designed to detect individual errors (2016/17: £0.5m)

£0.7m

Materiality for the financial statements as a whole (2016/17: £0.7m)
Reporting to the Governance & 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 & Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

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 East Northamptonshire District Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £35,000.

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

We will report:

- Non-Trivial corrected audit misstatements
- Non-trivial uncorrected audit misstatements
- Errors and omissions in disclosure (Corrected and uncorrected)
Value for money arrangements work

VFM audit approach

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that an 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.’

Overall criterion

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

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.
## Value for Money sub-criterion

### 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.
Value for money arrangements work (cont.)

VFM audit stage

Audit approach

We consider the relevance and significance of the potential business risks faced by all local authority bodies, and other risks that apply specifically to the East Northamptonshire District Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors’ responsibilities under the Code of Audit Practice.

In doing so we consider:

– The East Northamptonshire District Council’s own assessment of the risks it faces, and its arrangements to manage and address its risks;
– Information from Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Service VFM profile tool;
– Evidence gained from previous audit work, including the response to that work; and
– The work of other inspectorates and review agencies.

Audit approach

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 organisational control environment, including the financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

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.

Audit approach

The Code identifies a matter as significant ‘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.’

If we identify significant VFM risks, then we will highlight the risk to the East Northamptonshire District Council and consider the most appropriate audit response in each case, including:

— Considering the results of work by the East Northamptonshire District Council, inspectorates and other review agencies; and
— Carrying out local risk-based work to form a view on the adequacy of the East Northamptonshire District Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.
Audit approach

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.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will 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:

- Additional meetings with senior managers;
- Review of specific related minutes and internal reports; and
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.

Audit approach

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 East Northamptonshire District Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources.

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.

Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the arrangements for securing VFM), which forms part of our audit report.
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.

Risk: Delivery of Budgets (Sustainable Resource deployment)

The Authority is not required any material saving needs in 2017/18 to meet the proposed level of contribution to general fund. The current quarter 2 forecast shows that the Authority will deliver an underspend of approximately £119k for the General Fund.

The Authority’s budget for 2018/19 require savings of £122k to achieve the budget. Further savings will be required over the period 2019/20 to 2021/22, principally to address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority’s financial resilience.

Approach: As part of our additional risk based work, we will review the controls that ENC have in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.

VFM Sub-criterion: This risk is related to the following Value For Money sub-criterion

— Informed decision making;
— Sustainable resource deployment; and
— Working with partners and third parties

Risk: Investments in 2017-18 (Informed decision making)

The Authority has invested in investment properties to generate future income. As per National Audit Office (NAO) guidance, Authority’s are required to understand and use appropriate and reliable financial and performance information to support informed decision making including where relevant, business cases supporting significant investment decisions.

Approach: As part of our audit work, we will assess the Authority’s governance arrangements for investment decisions and robustness of investment business cases.
Other matters

Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of East Northamptonshire District Council. Deadlines for completion of this for 2017/18 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.
Other matters

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 & 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 2017/18 presented to you in April 2017 first set out our fees for the 2017/18 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then these will be agreed with the respective s.151 Officers and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned scale audit fees for 2017/18 are:
- East Northamptonshire District Council: £45,030, compared to 2016/17 of £45,030;
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. 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 journals.

Communication
Continuous communication involving regular meetings between the Governance & Audit Committee, Senior Management and audit team.

Audit strategy and plan
Initial planning meetings and risk assessment
Interim report (if required)
Year end audit of financial statements and annual report
Sign audit opinion
Annual Audit Letter
ISA 260 (UK&I) Report

Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning
— Determining our materiality level;
— Risk assessment;
— Identification of significant risks;
— Consideration of potential fraud risks;
— Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
— Consideration of managements use or experts; and
— Issuing this audit plan to communicate our audit strategy.

Control evaluation
— Understand accounting and reporting activities;
— Evaluate design and implementation of selected controls;
— Test operating effectiveness of selected controls; and
— Assess control risk and risk of the accounts being misstated.

Substantive testing
— Plan substantive procedures;
— Perform substantive procedures; and
— Consider if audit evidence is sufficient and appropriate

Completion
— Perform completion procedures;
— Perform overall evaluation;
— Form an audit opinion; and
— Governance & Audit Committee reporting.
Appendix 2: Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the East Northamptonshire District Council audit last year.

Jon Gorrie
Director
T: 0121 232 3645
E: jonathan.gorrie@kpmg.co.uk

‘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 & Audit Committee and Chief Finance Officers.’

Asim Iqbal
Manager
T: 07825207523
E: asim.iqbal@kpmg.co.uk

‘I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.’

Nico Chitsa
Assistant Manager
T: 0121 335 2519
E: nico.chitsa@kpmg.co.uk

‘I will be responsible for delivery of all our audit work. I will manage the completion of the different elements of our work, ensuring that they are coordinated and delivered in an effective manner.’
ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF EAST NORTHAMPTONSHIRE DISTRICT COUNCIL.

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP’s objectivity and independence, the threats to KPMG LLP’s independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP’s objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd’s (‘PSAA’s’) Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office (‘NAO’).

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

— General procedures to safeguard independence and objectivity;
— Independence and objectivity considerations relating to the provision of non-audit services; and
— Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

— Instilling professional values
— Communications
— Internal accountability
— Risk management
— Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to East Northamptonshire District Council and its affiliates for professional services provided by us during the reporting period.

There are no fees in relation to the provision of non-audit services which need to be disclosed to the Governance & Audit Committee.
Appendix 3:

Independence and objectivity requirements (cont.)

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Governance & Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Director and audit staff is not impaired.

This report is intended solely for the information of the Governance & Audit Committee of East Northamptonshire District Council should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP
This report is addressed to the East Northamptonshire District Council and has been prepared for the sole use of the East Northamptonshire District Council. 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 East Northamptonshire District Council, 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.

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