

LEICESTERSHIRE

FIRE and RESCUE SERVICE

Status of Report: Public Agenda Item: 12

Meeting: Corporate and Governance Committee
Date: 15th March 2017
Subject: External Audit Plan 2016/2017
Report by: The Treasurer
Author: Adam Stretton (Area Manager – Finance and ICT)
For: Discussion

1. Purpose

The Combined Fire Authority's (CFA's) external auditors, KPMG, have requested that their Audit Plan for 2016/2017 (the Plan) is presented to the Corporate Governance Committee for consideration.

2. Recommendations

The Corporate Governance Committee is asked to note the External Audit Plan for 2016/2017.

3. Executive Summary

The plan for the 2016/2017 external audit of the CFA includes an analysis of KPMG's approach to audit planning, Value for Money arrangements work, other matters including proposed fees and the composition of the KPMG team. Discussion of the Plan with Members ensures that KPMG understand Members' views and concerns and that agreement is reached on both parties' mutual needs and expectations to enable KPMG to provide the CFA with the highest level of service quality.

4. Report Detail

- 4.1 The CFA was notified by the Audit Commission on the 31st July 2012 that the appointment of PricewaterhouseCoopers Plc as external auditors would run until completion of the audit of the 2014/15 accounts. This work has now been completed and KPMG were appointed as external auditors by Public Sector Audit Appointments Ltd in April 2015. This appointment commenced from the 2015/16 accounts and will remain until completion of the 2017/18 accounts.
- 4.2 The Plan has been prepared to inform Members and Officers of the CFA about KPMG's responsibilities as the CFA's external auditors and how they plan to

discharge them. Every public authority is accountable for the stewardship of public funds. The responsibility for this stewardship is placed upon the Members and Officers of the CFA. KPMG's principal objective is to carry out an audit in accordance with the Audit Commission's Code of Audit Practice. Based upon discussion with management and their understanding of the CFA and the Local Government sector, KPMG have noted recent developments and other relevant risks. The Plan has been drawn up to consider the impact of these developments and risks.

- 4.3 The Plan sets out in more detail KPMG's audit approach for the period 1st April 2016 to 31st March 2017, including the 2016/17 final accounts audit which KPMG will undertake in summer 2017. KPMG will continue to review this plan during the course of the audit year, and update it where necessary, to reflect developments at the CFA or any changes in their understanding of the issues that it faces.
- 4.4 Representatives from KPMG will be attending the meeting to answer any questions Members may have on the Plan which is attached as **the Appendix**.

5. Report Implications / Impact

5.1 *Legal (including crime and disorder)*

These are included in the main body of the report.

5.2 *Financial (including value for money, benefits and efficiencies)*

- a) KPMG propose a total audit fee of £29,247, which is broken down further in the Plan. KPMG will also be carrying out the assessment of the CFA to determine a local value for money conclusion and this cost is included in the overall price. The total cost can be contained within the 2016/17 budget for external audit, which is £30,340.
- b) From 2010/11, the CFA is required to prepare accounts in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS increased audit work, particularly in the first year when the previous year's accounts had to be restated on the new basis, to provide prior year comparatives. The Audit Commission subsidised Authorities for the costs of implementation of IFRS in 2010/11 but have not provided any long term funding for this increased cost of regulation.

5.3 *Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)*

External Audit provides reassurance to the general public that the CFA is meeting its statutory obligations. They also work with Internal Audit and the Treasurer in ensuring that effective internal control procedures are in place.

5.4 *Staff, Service Users and Stakeholders (including the Equality Impact Assessment)*

None.

5.5 ***Environmental***

None.

5.6 ***Impact upon Our Plan Objectives***

The CFA's Strategic Objective 4 is the attainment of efficiency and the provision of a value for money service. The provision of external audit assists both effective and efficient management and good corporate governance. It also externally validates the CFA's progress in this area.

6. **Background Papers**

External Audit Plan 2015/16 (Corporate Governance Committee paper – 23rd March 2016)

7. **Appendix**

Draft 2016/2017 KPMG Audit Plan