

Appendices:

1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Policy for Non – Audit Related Activity
---------------------	--

AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	20 May 2013
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 To outline the policy for Northampton Borough Council for non-audit related work conducted by our appointed external auditors.

2. Recommendations

- 2.1 To approve the policy as provided at Appendix A.
- 2.2 To approve that any assignments related to additional audit work that exceed **£20k** are referred to audit committee to test that the independence of audit is not compromised.
- 2.3 To approve that any additional advisory services from KPMG are approved by audit committee prior to commencement.

3. Issues and Choices

3.1 Report Background

- 3.1.1 It is important that the independence of our external auditors (KPMG) in reporting to members and Northampton Borough Council does not appear to be compromised. It is equally important however that the Council can still access the expertise of KPMG where required on non – audit related matters.

- 3.1.2 This policy therefore sets out any threats to audit independence that potentially exist and defines the non – audit work that can be shared by the Council and KPMG.
- 3.1.3 This policy also sets out the approval process and corporate reporting mechanisms that will be in place for any non – audit work that KPMG perform on behalf of the Council.

3.2 Issues

- 3.2.1 The institute for Chartered Accountants in England and Wales sets out threats to independence as follows:
- Self Interest, where an interest in the outcome of their work or in depth relationship with the Council may conflict with an auditors objectivity,
 - Self-audit, where the auditors may be checking their own organisations work,
 - Advocacy, which may be present in engagement but could become a threat if an auditor becomes an advocate for an extreme position in an adversarial matter,
 - Familiarity or Council, where the level of constructive challenge is diminished as a result of assumed knowledge,
- 3.2.2 As a result of these perceived threats and in order to provide the Council with a transparent mechanism by which non-audit work can be reviewed, KPMG have provided categories that relate to specific professional services that they provide. These are:
- 1. Statutory and audit related work not requiring audit committee approval,
 - 2. Audit related and advisory work not requiring audit committee approval,
 - 3. Projects that are not permitted
- 3.2.3 Approval against point 2 above will not be required, unless any assignment exceeds the approved limit of **£20K**. Where this limit is exceeded the audit committee will be asked to ensure that the assignment does not compromise the independence of our external auditors based on the threats identified in 3.2.1
- 3.2.4 Approval against categories 1 and 2 above are requested for approval in 2.2 and 2.3 respectively.
- 3.2.5 The table on page 3 of the policy at Appendix A gives examples against the three categories provided in 3.2.2.

3.3 Choices (Options)

- 3.3.1 This report recommends the policy provided at Appendix A

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 This report recommends the policy at appendix A in order to mitigate any risk from non – audit related assignments by our external auditors.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

Robin Bates
Head of Finance and Resources, ext 7119