



External Audit: Progress Report

Northampton Borough Council

March 2019

March 2019 Progress report

Summary of work performed since January 2019

Since the last Audit Committee meeting in January 2019 we have:

- Completed the 2016/17 audit. This included:
 - Issuing an unqualified accounts audit opinion;
 - Issuing a qualified VFM conclusion;
 - Issuing the 2016/17 Annual Audit Letter; and
 - Agreeing a fee variation of £196,466 with the Authority to cover the cost of the additional audit work required in 2016/17. PSAA has not yet approved the request.
- Revised our audit plan with finalised 2016/17 figures and revised materiality. See Appendix 1 for new materiality levels.
- Begun additional work over the Authority’s IT systems to support the 2017/18 audit. This included work over the Real Asset Management system outside the previous timelines and top up testing over Agresso.
- We have received the Authority’s valuation reports from Bruton Knowles covering Council Dwellings and GVA covering other fixed assets including Other Land and Buildings and Investment Properties. Our KPMG expert has completed their review and we are following up on queries with the Closedown team.
- We have substantially completed our work over the Pensions liability, one of our significant risk areas.
- We have liaised with the auditors of Northampton Partnership Homes and are due to review their file in March 2019.
- Completed the work on the following grants and other returns:
 - Housing Benefits Grant Claim 2017/18 – the claim was certified on 29 November 2017. The certified claim and Qualification Letter was sent to the Department for Work and Pensions in advance of the deadline.
 - Pooling of Housing Capital Receipts Return 2017/18 – our assurance report on the return was submitted to the Department for Communities and Local Government on 11 January 2019, in advance of the deadline.
- Continued to liaise with managers at the Council and monitor the Council’s financial position and performance and other sector developments.

We ask the Audit Committee to note this progress report.

Contacts

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Appendix 1: Audit Planning

We have set out below the headlines for the 2017/18 audit planning that were previously communicated to you in our *External Audit Plan 2017/18* in November 2018. This year, 2017/18, will be our last year as your external auditors.

Since the publication of the 2016/17 Financial Statements, there have been no significant changes in the scope of the audit or the profile of risks. However, timelines and materiality have been updated.

Below are the key messages for Audit Committee.

Headline	Position
Scope and responsibilities	<ul style="list-style-type: none"> — There are no changes in regards to our accounts opinion and Value for Money Conclusion responsibilities. — We work to the National Audit Office (NAO's) Code of Audit Practice. There are no immediate changes to our work.
Materiality	<ul style="list-style-type: none"> — Our <i>External Audit Plan 2017/18</i> reported a materiality of £1.3m for the Authority against a benchmark of £260.8m. The published Authority accounts had Gross Expenditure of £195.8m. — Materiality was reported at 0.5% of Gross Expenditure resulting in an updated materiality of £0.975m (£1.4m previously reported) for the Authority financial statements as a whole for 2017/18. — All misstatements above £45,000 will be reported to Audit Committee. All individual differences below this threshold will be considered trivial. — Materiality of the Group Accounts remains at £1.4m.
Timeline	<ul style="list-style-type: none"> — We expect to carry out our final accounts for 2017/18 in for three weeks commencing 11 March 2019. This will include additional work over controls as top up testing procedures.
Significant accounts risks and other areas of audit focus	<ul style="list-style-type: none"> — We reported the following significant risks in our <i>External Audit Plan 2017/18</i>: <ul style="list-style-type: none"> — Valuation of Council Dwellings; — Valuation of Other Land and Buildings; — Valuation of Investment Properties; and — Pension Liabilities. — At this stage of the audit these risks remain unchanged.
Significant VFM conclusion risks	<ul style="list-style-type: none"> — We reported the following significant VFM risks in our <i>External Audit Plan 2017/18</i>. <ul style="list-style-type: none"> — Governance Action Plan; — NTFC loan and the wider loans system;; — Financial resilience in the local and national economy; — Off-payroll working through an intermediary (IR35); and — Chief Executive payment. — At this stage of the audit these risks remain unchanged.

(continued overleaf)

Appendix 1: Audit Planning (cntd.)

Headline	Position
Audit fee	— The scale fee for the 2017/18 audit is £80,775 (£80,775 in 2016/17 with agreed additional costs of £196,466). We have already incurred additional costs as a result of the high risk nature of the audit and an increased number of significant risks due to errors found in 2016/17. We will update the Audit Committee on these throughout the remainder of the audit.
Financial Statements	— An incomplete set of financial statements was published online on 1 March 2019. These only contained the Balance Sheet, Cash flow statement and CIES, but did not include all of the notes to the accounts. The Authority did this in order to launch the public inspection period to the accounts. — However, we were informed that these were an early draft and these were not suitable for audit purposes, as they had yet to be fully quality checked, despite being made available to the public in order to meet legislative requirements. — We have since received a full draft set of statements and have commenced our final audit work.



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