

BOROUGH OF KETTERING

Committee	MONITORING & AUDIT COMMITTEE	Item A1	Page 1 of 2
Report Originator	Head of Resources Mark Dickenson	Forward Plan Ref: N/A	
Wards Affected	All	26 th September 2019	
Title	EXTERNAL AUDIT: ISA 260 (INTERNATIONAL STANDARDS ON AUDITING)		

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the draft ISA 260 Report to those charged with Governance (This has been prepared by the Council's external auditor (EY), and to approve the Council's draft Management Representation Letter.

2. BACKGROUND

- 2.1 The Government moved the responsibility for the external audit contracts to Public Sector Audit Appointments (PSAA) and following PSAA's national procurement process Ernst & Young LLP (EY) were formally appointed as the Council's external auditors for five years from 2018/19.
- 2.2 In order to comply with the statutory requirements of the Accounts & Audit Regulations 2015, the Responsible Financial Officer is required to sign the Statement of Accounts by 31st May each year. The Council's accounts were duly signed on the 23rd May 2019.
- 2.3 The Council's governance arrangements require this Committee to receive and approve the Statement of Accounts, following the completion of the external audit by 31st July each year.
- 2.4 It was reported to the Monitoring and Audit Committee at its meeting on 21st May that EY were experiencing staff turnover and challenges in recruiting new staff, which effected the audit timetable for the 2018/19 audit and resulted in the audit being delayed and taking place during August and September 2019. The priority for EY was to ensure that a high-quality audit was undertaken and this was key in ensuring their responsibilities were met in issuing the correct audit opinion.
- 2.5 Annually the Public Sector Audit Appointments (PSAA) publish details of authorities who have not met the 31st July date for publishing their audited accounts. The PSAA have said they will ensure that in any report they issue the reasons for the delays will be clearly explained.
- 2.6 The Audit Commissions Code of Audit Practice (the code) requires the Council's appointed auditor (EY) to summarise the work they have carried out and to report to those charged with governance at the time they are considering the financial statements. For the Council this is the Monitoring and Audit Committee. In addition, EY are also required to comply with the International Auditing Standard (ISA) 260

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which sets out the responsibilities for communicating with those charged with governance.

- 2.7 The audit opinion is not yet final as there are a few areas of work outstanding as set out in the Executive Summary to the Opinion (**Appendix A**) and therefore remains in draft format. The most significant of these is the delay in receiving IAS 19 assurance in relation to the Northamptonshire Pension Fund. EY are not able to audit the Pension Fund for 2018/19 until Northamptonshire County Council's accounts for 2017/18 have been signed off by KPMG. A final ISA260 report will be issued once all outstanding issues have been completed.
- 2.8 A further requirement is for the Council to provide representations on specific matters such as the Council's financial standing and whether the transactions within the accounts are legal and unaffected by fraud. The draft Management Representation Letter detailed at **Appendix B** confirms the accounts have been prepared in accordance with statutory legislation and fairly represent the transactions of the Council and no additional disclosures are required in the financial statements, over and above those already disclosed. A final Management Representation Letter will be issued once the Pension Fund SA260 report will be issued once this has been completed.
- 2.9 A representative of the Council's appointed auditor will be at the meeting to present the report and answer Member questions.

3. RECOMMENDATION

- 3.1 That the Monitoring & Audit Committee receives the Audit Memorandum – Report to those charged with Governance; and approves the draft Management Representation Letter.
- 3.2 That any non-material adjustments required to the draft audit opinion (ISA 260) and the Management Representation letter are agreed with the Chair of the Monitoring and Audit Committee.