



Annual Audit Letter 2015/16

Ashfield District Council

—

October 2016



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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 Sophie Jenkins, the engagement lead to the Authority, 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 (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.

This Annual Audit Letter summarises the outcome from our audit work at Ashfield District Council in relation to the 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 29 September 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

Ashfield homes Limited (AHL)

The Authority set up Ashfield Homes Ltd in April 2002 as an Arm's Length Housing Management Organisation to manage and maintain the Authority's housing stock. The agreement runs until 2027 with a break clause in April 2017, in advance of which the Authority must give the Company 12 months' notice..

As part of our VFM work we considered the governance arrangements/steps the Authority took to reach the decision to bring Ashfield Homes back in-house and noted the Authority:

- Carried out a detailed feasibility study prior to making the decision as part of Phase 1;
- Consulted with a wide range of stakeholders including tenants;
- Savings of circa £500,000 a year have been identified by the Phase 2 report;
- A decision was reached by Members on 14 April to directly deliver the housing management service i.e. bringing AHL back under the control of the Authority;
- The Authority has issued 12 months notice to AHL to confirm the management arrangements will end by April 2017; and
- The transition date has been set to 1 October 2016;

Financial Resilience in the local and national economy :

We reviewed the Authority's financial governance, financial planning and financial control arrangements. This included monitoring the Authority's financial position in year and reviewing the Authority's progress in delivering its budget as part of its wider arrangements to secure financial resilience in the short and medium term.

- We noted that the Authority's General Fund achieved a £268k deficit in 2015/16 which was funded from the General Reserve. Its Housing Revenue Account achieved a surplus of £729k, which was transferred to the Housing Revenue Account Working Balance.
- Capital expenditure for the year amounted to £16 million against a plan of £17.9m.
- We reviewed the Authority's financial governance, financial planning and financial control arrangements. This included monitoring the Authority's financial position in year and reviewing the Authority's progress in delivering its budget as part of its wider arrangements to secure financial resilience in the short and medium term.
- We reviewed the Authority's Medium Term Financial Plan (MTFP) and its key assumptions for the period 2016/17 – 2020/21 and note the Authority has projected savings of £626k in the year 2016/17 and £670k each year from 2017/18-2021/22. The savings are supported by individual saving plans.

There are no issues arising from our work which will lead to a non-standard VFM conclusion at the Authority..

Section one

Headlines (cont)

This Annual Audit Letter summarises the outcome from our audit work at Ashfield District Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Audit Opinion	We issued an unqualified opinion on the Authority's financial statements on 29 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
Financial statements audit	<p>The Statement of Accounts of Ashfield District Council for the year 2015/16 were prepared in a timely manner with high quality supporting work papers.</p> <p>There were no uncorrected audit adjustments at the end of the audit process.</p> <p>We identified two audit misstatements in the Group Accounts in relation to the pension liability of Ashfield Homes Limited (AHL) with net impact of £10.2m in 2015/16. The audit differences have been adjusted by the Authority.</p> <p>We did note that further improvements could be made to the control environment as noted on Page 5.</p>
Other information accompanying the financial statements	Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.
Whole of Government Accounts	The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance, we have confirmed this with the National Audit Office.

Section one

Headlines (cont.)

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Recommendations Raised

There were no high priority recommendations as a result of our 2015/16 audit work. However, we noted that further improvements could be made to the control environment and raised the following priority two recommendations:

1. Payroll Assurance

The Authority outsourced its payroll processing to Mansfield and Ashfield Shared HR Services in 2015/16. We reviewed the controls in place and noted controls could be further strengthened. The Authority should review the current process in place and in particular we recommend that the Authority should,

- Request and review exception reports produced by Mansfield and Ashfield Shared HR Services. This will allow the Authority to gain additional assurance that the payroll is being completed correctly;
- Review the payroll file and approve the BACS payment before the submission deadline; and
- The Authority should evidence the review of the monthly payroll control reconciliation received from Mansfield and Ashfield Shared HR Services by way of a signature or stamp.

2. Fixed Asset Register (FAR) reconciliation to the General Ledger (GL)

The Authority should reconcile the Fixed Asset Register to the General Ledger on a monthly basis, in addition to reconciling all lines with the FAR.

3. Non-Pay Expenditure - Data analytics

The Authority should continue to periodically review the effectiveness of the controls around the purchase order system and in particular review recurring patterns of non compliance

We will formally follow up these recommendations as part of our 2016/17 work.

Certificate

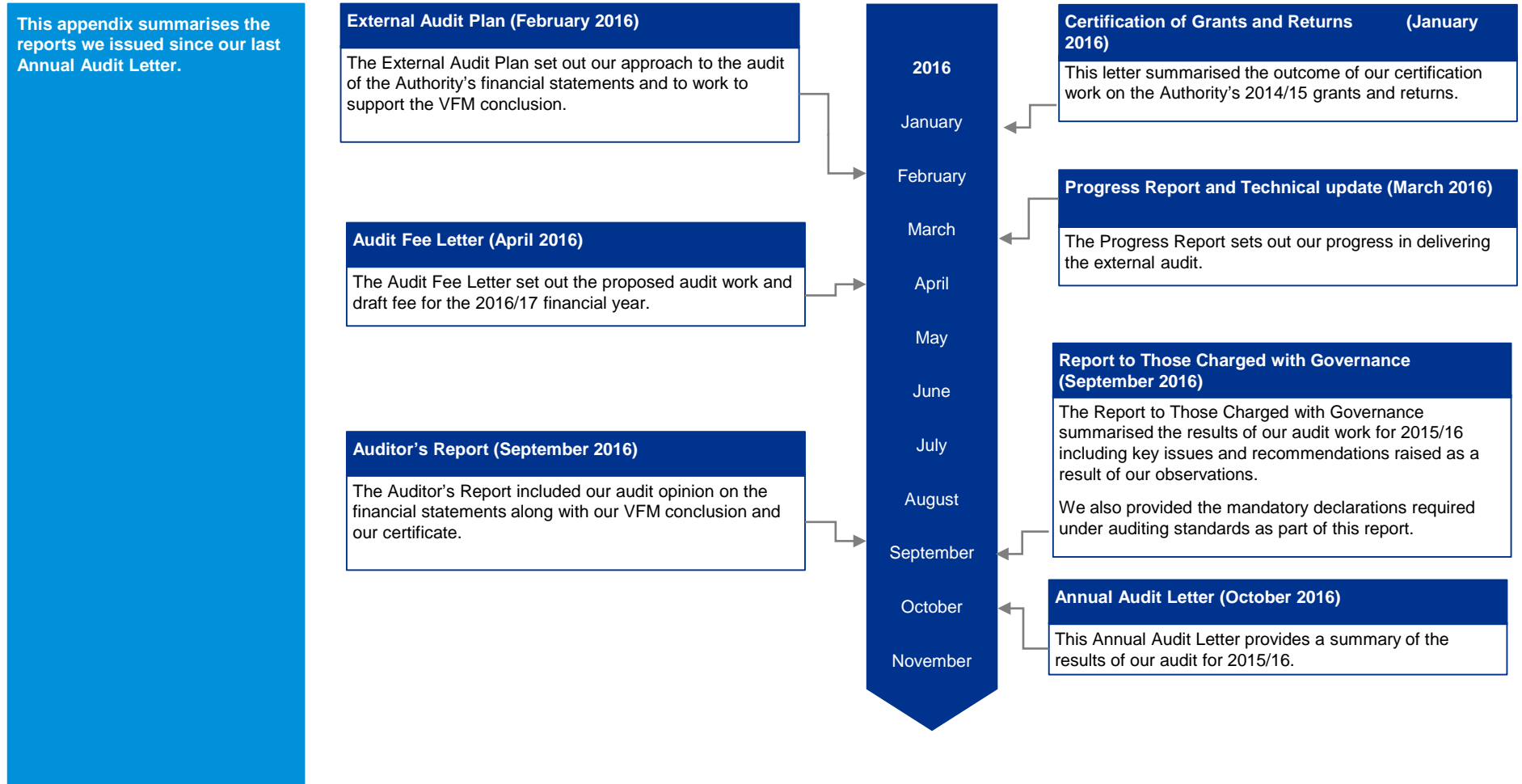
We issued our certificate on 29 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2015/16 was £61,527, excluding VAT. This compares to a planned fee of £56,036.

Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit of Ashfield District Council was £61,527. This compares to a planned fee of £56,036. The reason for this variance is a result of additional work, which was not allowed for in our initial plan, namely a review of the prior period adjustments for the inclusion of Ashfield Homes Limited's pension liability and additional time spent on auditing property, plant and equipment (PPE) and the adjustments identified as a result of the work.

Our fees are still subject to final determination by Public Sector Audit Appointments.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2017.

Other services

We charged £3,000 for additional audit-related services for the certification of the Housing Pooled Capital Receipts claim which is outside of Public Sector Audit Appointment's certification regime.

Non-Audit services

KPMG charged £1,800 (inclusive of VAT) to perform agreed procedures over anticipated savings arising from bringing ADC's ALMO (Ashfield Homes Ltd.) back in house.



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