



# Annual Audit Letter 2016/17

# Ashfield District Council

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October 2017



# Contents

## Report sections

Summary 3

## Appendices

- 1. Key issues and recommendations 5
- 2. Summary of reports issued 6
- 3. Audit fees 7

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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 [Engagement Lead name], 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](mailto: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](mailto: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.

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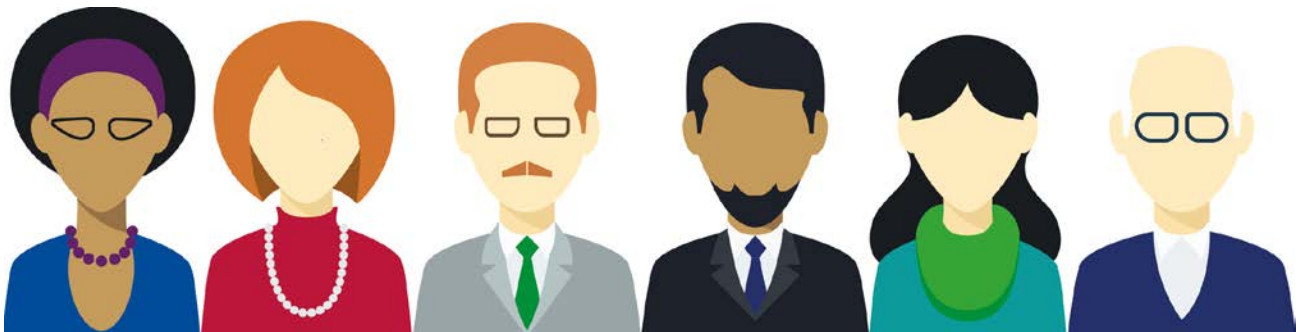
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## Section one

# Summary

This Annual Audit Letter summarises the outcome from our audit work at Ashfield District Council in relation to the 2016/17 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 2016/17 on 29 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

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:

#### 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 reviewed the arrangements for assuring delivery of the Authority's savings programme and reviewed the delivery of the saving plans to date including actions taken by the Authority where savings were not achieved in line with the plan. In addition, we reviewed the Authority's MTFS and evaluated the arrangements the Authority has in place in identifying further savings for future years; and
- The MTFS highlights the increasingly difficult financial challenges that the Authority is going to be facing. Members will be required to make some difficult decisions which may require them to become less risk averse.

### Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. 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. The financial statements also include the Authority's Group, which consists of the Authority itself and Ashfield Homes Ltd for part of the year.

## Section one

### Financial statements audit

Our audit of the Authority's financial statements did not identify any audit adjustments which impacted on the bottom line figures reported in the core statements. We did, however, identify a number of presentational issues. The Authority amended the statements for all such issues identified. We also noted further improvements that could be made to enhance the audit process and raised a number of recommendations as detailed in Appendix 1.

### 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.

### High priority recommendations

We raised one high priority recommendation and one medium priority recommendation as a result of our 2016/17 audit work. These are detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up these recommendations as part of our 2017/18 work.

### Certificate



We issued our certificate on 29 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

### Audit fee

Our fee for 2016/17 was £59,841 compared to a planned fee of £56,036, excluding VAT. The increase in fee is due to additional work undertaken in relation to the CIES restatement, review of TUPE staff and data migration as a result of the transfer of Ashfield Homes Limited (AHL). Further detail is contained in Appendix 3.

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

# Key issues and recommendations

No.	H/M/L	Issue and recommendation	Management response/responsible officer/due date
1		<p><b>Asset Verification Exercises</b></p> <p>The Authority does not conduct regular verification exercises for the infrastructure assets, as a result assets worth £866k were written off due to lack of evidence over their existence. Thus there is an increased fraud risk that fictitious assets are added on to the Fixed Assets Register and are then subsequently written off.</p> <p><b>Recommendation</b></p> <p>We recommend that the Authority reviews its asset verification procedures, to ensure every asset is verified on a regular basis.</p>	<p><b>Management Response</b></p> <p><b>Accepted</b></p> <p><b>Owner</b></p> <p>Principal Accountant – Capital &amp; Treasury Management</p> <p><b>Deadline</b></p> <p>Immediately</p>
2		<p><b>Working papers and audit process</b></p> <p>We experienced a number of delays due to the absence of key staff, which made it difficult at times to plan and complete work. As a result of this, not all of our audit work was completed within the timescales expected. Whilst this has not unduly delayed the audit, there is scope to coordinate the audit work with staff availability for future years.</p> <p><b>Recommendation</b></p> <p>The Authority should coordinate the audit work with staff availability to ensure there are no delays in meeting the earlier deadlines from 2017/18.</p>	<p><b>Management Response</b></p> <p>Although some leave was granted, we feel that there was sufficient resource and knowledge within the team to respond to queries. These matters will be discussed between ADC and KPMG in the de-brief to determine if there are lessons to be learnt.</p> <p><b>Owner</b></p> <p>Corporate Finance Manager (Section 151 Officer)</p> <p><b>Deadline</b></p> <p>October 2017</p>

## Follow up of previous recommendations

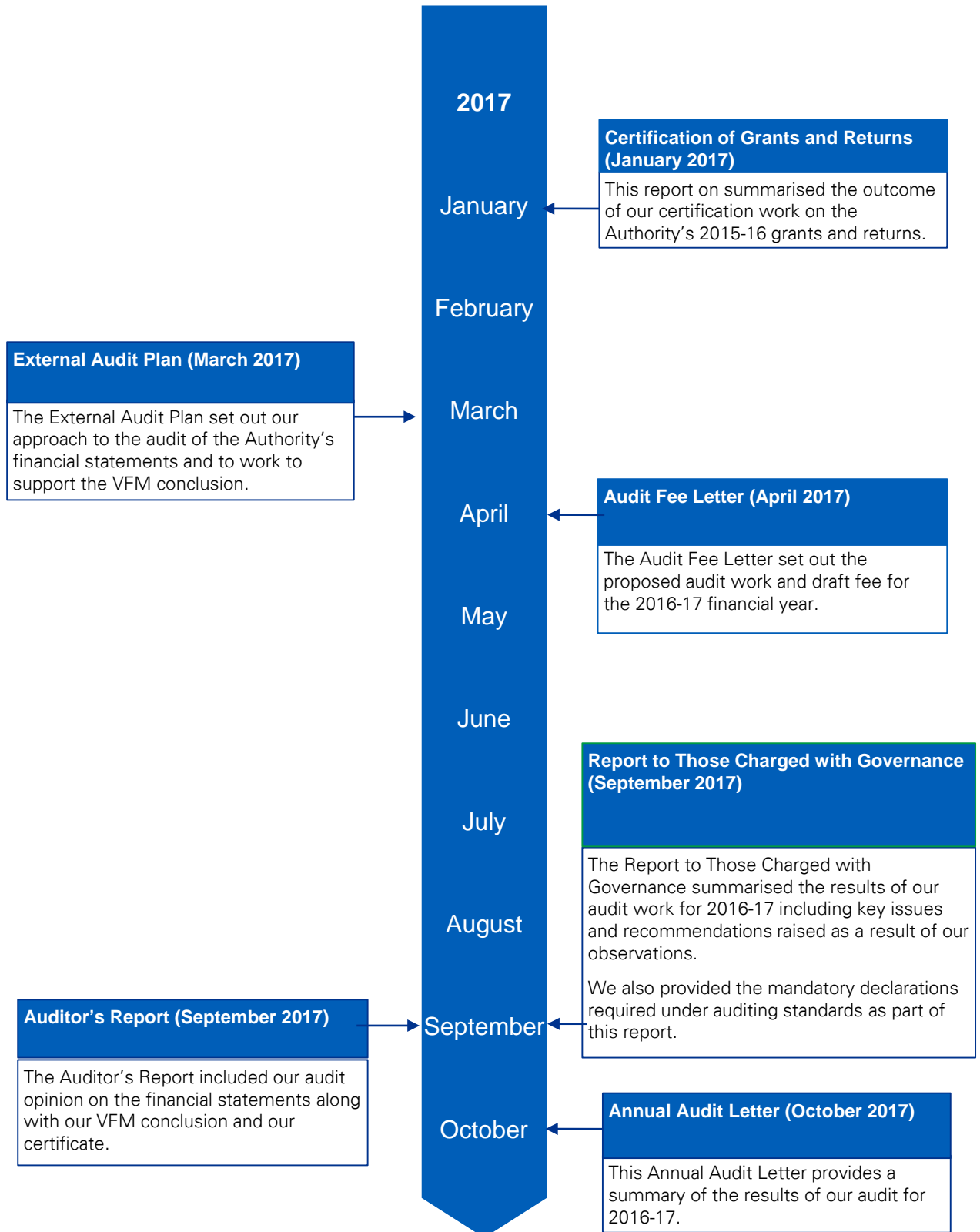
As part of our audit work we followed up on the Authority’s progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address the issues that we have previously highlighted through high priority recommendations.



## Appendix 2

# Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.



## Appendix 3

# Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

### External audit

Our final fee for the 2016/17 audit of Ashfield District Council was £59,841. This compares to a planned fee of £56,036. The reasons for this variance are:

- an increased fee for the audit of the financial statements reflecting additional costs incurred in carrying out the final accounts audit of £3,805 over and above our initial estimate. The increase in fee is due to additional work undertaken in relation to the CIES restatement, data migration following the transfer of Ashfield Homes Limited (AHL) and some delays in the audit.
- Our fees are still subject to final determination by Public Sector Audit Appointments.

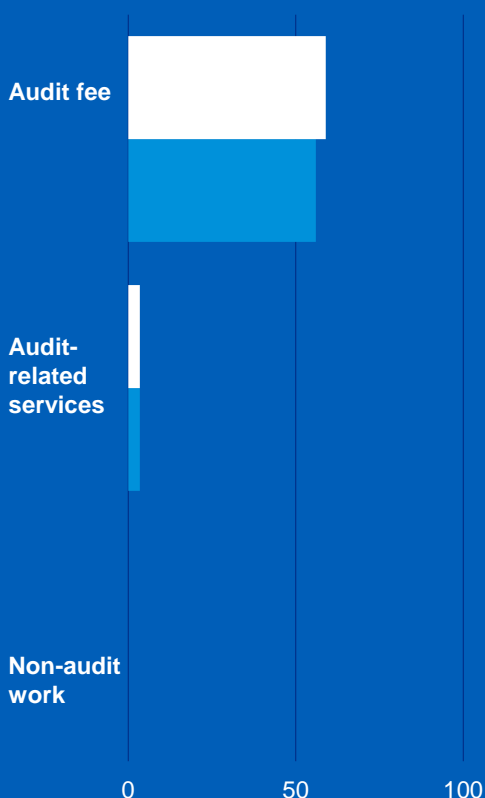
### Certification of grants and returns

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 on-going. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

### Other services

We charged £3,500 for additional audit-related services for the certification of the Housing Pooling Capital Receipts claim which is outside of Public Sector Audit Appointment's certification regime.

External audit fees 2016/17  
(£'000)



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