



**Section one** 

# Summary for Corporate Governance Group



#### **Section one:**

## Summary for Corporate Governance Group

This Annual Audit Letter summarises the outcome from our audit work at Rushcliffe Borough Council ("the Authority") in relation to the 2017-18 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 31 July 2018. 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 consolidated financial statements for Authority's Group, which consists of the Authority itself and Streetwise Environmental Limited.

#### Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £0.6 million which equates to around 1.5 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Corporate Governance Group any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.03million for the Authority.

We have identified no audit adjustments

Our audit work was designed to specifically address the following significant risks:

- Management Override of Controls Auditing standards require us to consider this audit risk for all entities Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. We did not identify any issues in response to this risk;
- Valuation of PPE The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, the Authority made two material investment property acquisitions in year. We did not identify any issues in response to this risk; and
- Pensions Liabilities The net pension liability represents a material element of the Authority's balance sheet. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements. The Council also made a pensions contribution prepayment in April 2018 to reduce the pension deficit. There are specific complex accounting requirements related to this transaction. We did not identify any issues in response to this risk.

#### 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.



#### **Section one:**

# Summary for Corporate Governance Group (cont.)

#### 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.

#### Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. 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.

#### Value for Money 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:

- Delivery of financial and savings plans The Authority continued to face similar financial pressures and uncertainties to those experienced by others in the local government sector. For 2017/18, the Authority set a balanced budget which was achieved. The Authority developed a transformation strategy covering the five years up to 2022/23, which will ensure that the Authority is financially viable going forward, however, there is still a £0.29m shortfall in this strategy that still needs to be identified. We did not identify any issues in response to this risk; and
- Management of the Asset Investment Strategy Fund The Authority has a £20m Investment Fund, which made a number of material investments in the financial year. As part of our risk based work, we reviewed the governance arrangements in place around the purchase of these investment properties. We did not identify any issues in response to this risk.

#### **High priority recommendations**

We raised no high priority recommendations as a result of our 2017-18 work



#### **Section one:**

# Summary for Corporate Governance Group (cont.)

#### Certificate

We issued our certificate on 7 August 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

#### **Audit fee**

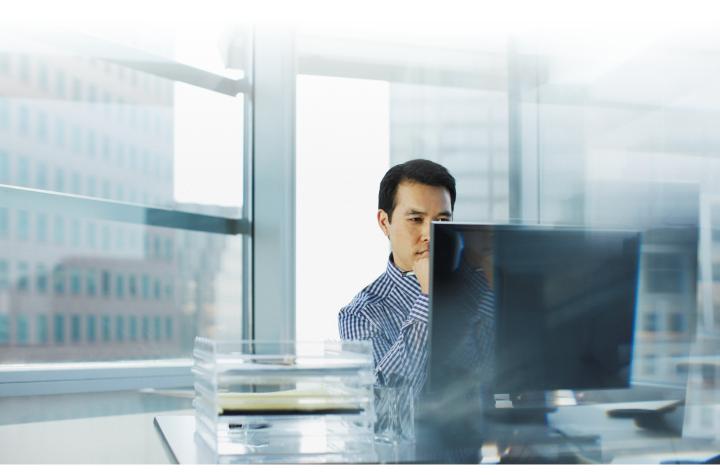
Our fee for 2017-18 was £41,288, excluding VAT (2017: £46,105 (including additional fees of £4,817). We are also planning on raising an additional overrun fee for 17/18 in respect of additional work performed over the valuation. Further detail is contained in Appendix 3.

#### **Exercising of audit powers**

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.





# Appendices



#### Appendix 1:

## High risk recommendations

This appendix summarises the high risk recommendations raised as a result of our audit, as well as the status of recommendations raised in the previous year.

High risk recommendations are defined as those issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Details of lower risk recommendations can be found in our ISA260 Report 2017-18

#### **High risk recommendations**

We have not raised any high risk recommendations in 2017/18

#### Follow up of previous recommendations

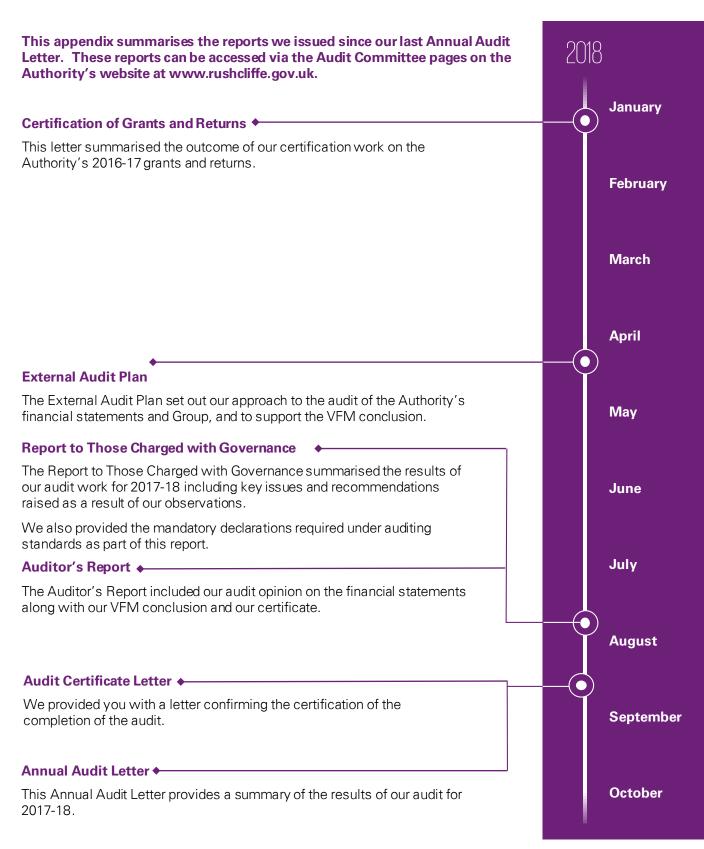
As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address the issues that we have previously highlighted, implementing both the recommendations that were raised in 2016/17.





#### Appendix 2:

## Summary of reports issued





#### **Appendix 1:**

### Audit fees

#### This appendix provides information on our final fees for the 2017-18 audit.

#### **External audit**

Our scale fee for the 2017-18 audit of the Authority was £41,288, which is in line with the planned fee. We are planning on raising an additional fee to cover the costs of performing additional work to address the valuation risk identified.

#### 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 planned fee for this work is £6,898 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

#### Other services

We did not charge any additional fees for other services.





The key contacts in relation to our audit are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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 [...], 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, by email to Andrew.Sayers@kpmq.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.

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