



Section one

Summary for Audit and Governance Committee



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This Annual Audit Letter summarises the outcome from our audit work at North West Leicestershire District 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.

This is KPMG's last Annual Audit Letter to the Authority. We would like to take this opportunity to thank the Authority's officers and the members of the Audit and Governance Committee for their support throughout our audit appointment.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 9 November 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.

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 £0.9 million which equates to around 1.5% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit and Governance Committee 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 £45k.

We identified material misstatements of £1.8m including prior period adjustments of £7.3m 2016/17, £2m 2015/16 relating to the incorrect accounting treatment of revaluation of fixed assets. The Authority has corrected for these misstatements in the 2017/18 financial statements. The correction of these errors does not impact on the General Fund and Housing Revenue Account balances as at 31 March 2018, due to the way the revaluation accounting is completed under the CIPFA Code of Practice.

We found some quality issues in relation to the working papers provided in 2017/18. As recommended in previous years there is an opportunity for improvements to be made in providing clear and concise management trails of underlying transactions.

We thank the Finance team for their co-operation throughout the visit.

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

• Valuation of PPE – The Authority operates a cyclical revaluation approach, which sees all land and buildings physically revalued every five years, with interim desktop revaluation completed between each physical revaluation. The Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code') requires that all land and buildings be held at fair value. In addition the Authority has had a number of amendments in this area of the financial statements in the previous four years. We considered the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated. We also reviewed the instructions and source of the information provided to, and used by, the valuer to inform the Authority's valuation. As highlighted above we identified material misstatements relating to the incorrect accounting treatment of revaluation of fixed assets, which the Authority have corrected.



Section one:

Summary for Audit and Governance Committee (cont.)

- Pensions Liabilities The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We reviewed the process that the Authority has in place over the information sent directly to the Pension Fund and reviewed management assessment of assumptions used in the valuation report and financial statements. We did not identify any evidence of material misstatement as a result of our audit work on this significant risk.
- Management Override of Controls Our audit methodology incorporates the risk of management override as a default significant risk. We did not identify any specific additional risks of management override relating to the audit.

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 significant 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.

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 9 November 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 risk:

• Medium Term Financial Planning – The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector, such as the future of business rate distribution. For 2017/18, the Authority has a balanced budget, but the Medium Term Financial Strategy (MTFS) 2018-2023 identifies funding gap on the general fund of £5.3m between 2019/20 and 2022/23 as a result of increasing cost pressures and reduction in Revenue Support Grant, and from 2020/21 due to a significant forecast reduction in retained business rate income. The Authority is planning to introduce a value-driven target (Self-Sufficiency target) based on 6.25% of the value of New Homes Bonus currently used to provide core services each year from 2019/20 –2022/23. These targets, added to the predicted deficits, increase the savings targets to £6.8m. However, the on-going reliance on New Homes Bonus for core activity is itself a concern, and we note that there is no proposed increase in Council Tax. We reviewed the arrangements the Authority has in place to ensure financial resilience.

We were satisfied that there were adequate arrangements in place during 2017-18 and there were no significant matters relating to this risk area which prevented us from giving an unqualified VFM conclusion.



Section one:

Summary for Audit and Governance Committee (cont.)

High priority recommendations

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

Certificate

We issued our certificate on 11 January 2019. 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

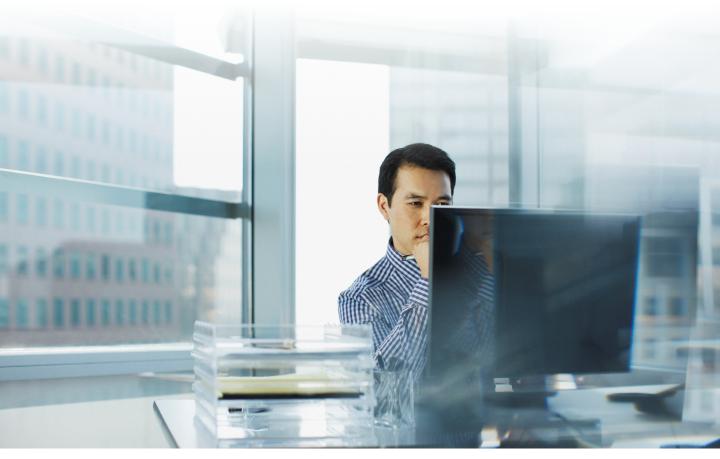
Our fee for 2017/18 was £56,522, excluding VAT (2017: £51,869). We needed to carry out additional work over the new payroll system and capital accounting in 2017/18, which was outside of the normal audit process. Further detail is contained in Appendix 2.

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.



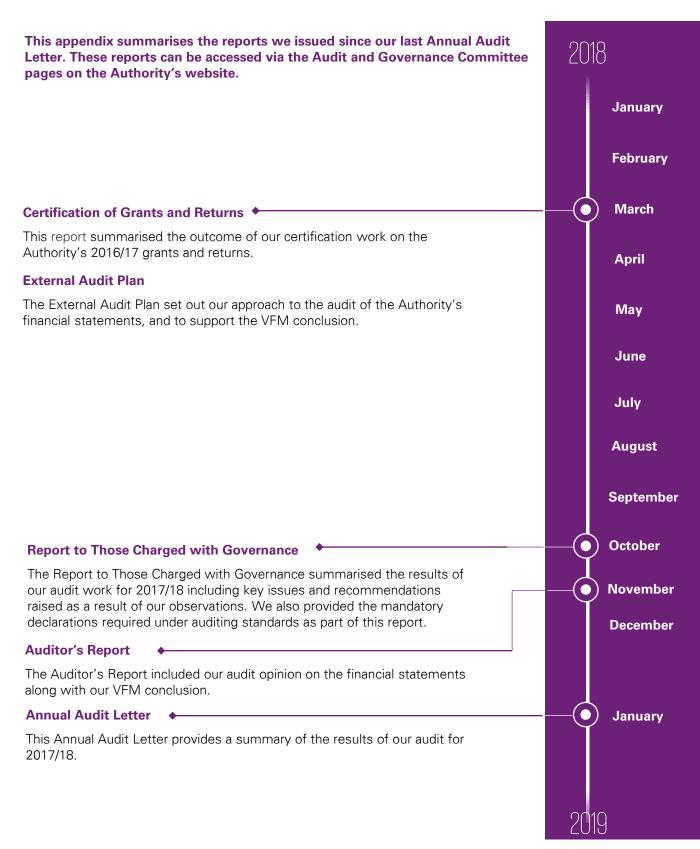


Appendices



Appendix 1:

Summary of reports issued





Appendix 2:

Audit fees

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

External audit

Our proposed final fee for the 2017/18 audit of the Authority is £56,522, This compares to the scale fee of £50,522 (£51,869 2016/17). The reasons for this variance from the scale fee is:

- Additional work completed over the new payroll system; and
- Additional work completed over accounting treatment of revaluation of fixed assets.

Our fees in relation to above 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. The planned fee for this work is £9,128 and the final fee will be confirmed through our reporting on the outcome of that work.

We also charged £3,500 for certification work in regards to 2016/17 Pooling of Capital Receipts Return, which is outside of Public Sector Audit Appointment's certification regime.

All fees quoted are exclusive of VAT.





The key contact in relation to our audit is:

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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 Andrew Cardoza, 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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