

Annual Audit Letter 2016/17

Kettering Borough
Council

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October 2017



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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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document 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 Jon Gorrie, 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.

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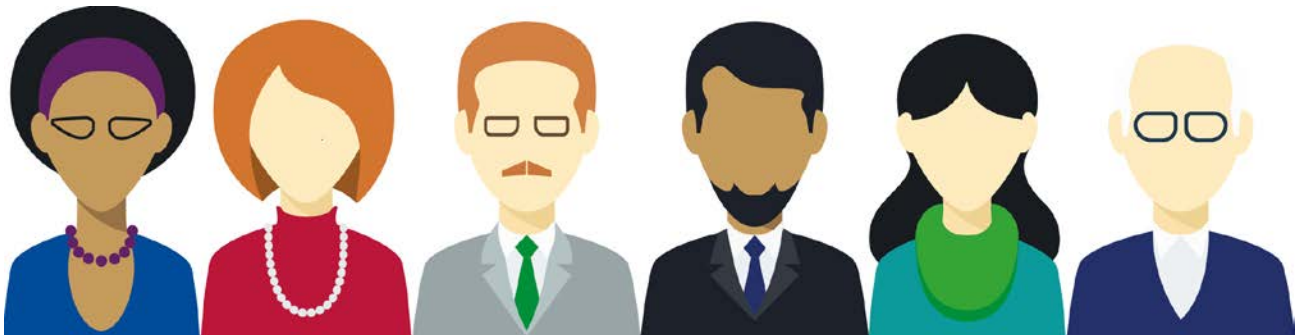
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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Kettering Borough 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.



Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 28 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. We have set out in *Section One* of this report our work completed subsequent to our *External Audit Report* and our findings.

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 and identified one area of focus, regarding your arrangements for securing financial resilience. We took account of, amongst other things, 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.

The Authority set a General Fund Budget of £51.8 million which included the need to identify and deliver £1.522 million of savings. This consisted of a mixture of income generation and efficiency savings. Furthermore, the Housing Revenue Account had a budget of £15.8 million during the year, but reported an underspend of £350k due to a mixture of contingencies and bad debt provision not being required. The outturn was that both the General Fund and HRA Reserves remained stable at £1.415 million and £850k respectively. The capital programme reported an underspend of £3.3 million against the £9.3 million budget, mainly due to £2.5 million of Invest to Save Projects (commercial property works) not being undertaken during the current financial year.

For 2017/18, the Authority set a net budget before savings and efficiencies of £10.9 million. The Authority had a requirement to achieve £1.4 million of savings during the financial year, and identified a mixture of additional income generation (£865k) and reduced expenditure (£515k) during the budget process. As of July 2017, it is reporting that about 1/3 of these have already been delivered. Over the subsequent four years from 2018/19 to 2022/23, the Authority has set an overall net budget requirement which decreases from £9.9 million in 2018/19 to £9.1 million in 2022/23.

Overall, we concluded that in 2016/17, the Authority had made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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.

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 (WGA) by HM Treasury. We are required to review your pack in detail and confirm whether it is consistent with the audited financial statements. This work is complete and we issued an unqualified assurance report on 28 September 2017.

High priority recommendations

We raised no high priority recommendations as a result of our 2016/17 audit work.

Certificate

We issued our certificate on 28 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

The 2016/17 scale fees set by PSAA for the Authority were £53,685 (excluding VAT) respectively. Further detail is contained in Appendix 2

Appendices



Appendix One

Summary of reports issued

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

These reports can be accessed via the Audit Committee pages on the Authority's website at http://www.kettering.gov.uk/meetings/meeting/1571/monitoring_and_audit_committee

External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority and Pension Fund financial statements. We also set out work to be undertaken to support the VFM conclusion.

2017

Jan

Feb

Mar

Apr

Summary of reports issued (cont.)

Audit Fee Letter

The Audit Fee Letter set out the proposed audit work and draft fee for the 2017/18 financial year.

Interim Audit Report

The Interim Audit Report summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2016/17.

May

Jun

Jul

Aug

Sep

Oct

Nov

Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2016/17 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Auditor's Report

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion.

Appendix Two

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 Kettering Borough Council was £58,843. This compares to a planned fee of £53,685. The additional work undertaken related to:

- Review of the restructure undertaken in year, including the exit package provided to the outgoing Chief Executive, and ensuring that the Authority had included adequate disclosures within the financial statements. The Authority included additional narrative in the accounts to explain the disclosures and provide further context relating to the Senior Management restructure;
- Additional work required to be undertaken to address the risk relating to triennial pensions valuation and changes in the data validation process by the Northamptonshire Pension Fund; and
- The CIES restatement has been driven by changes to the CIPFA Code of Practice. The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards. For the restatement, we obtained an understanding of the methodology used to prepare the revised statements. We also agreed figures disclosed to the Authority's general ledger.

Our fee for the Authority is still subject to final determination by Public Sector Audit Appointments.

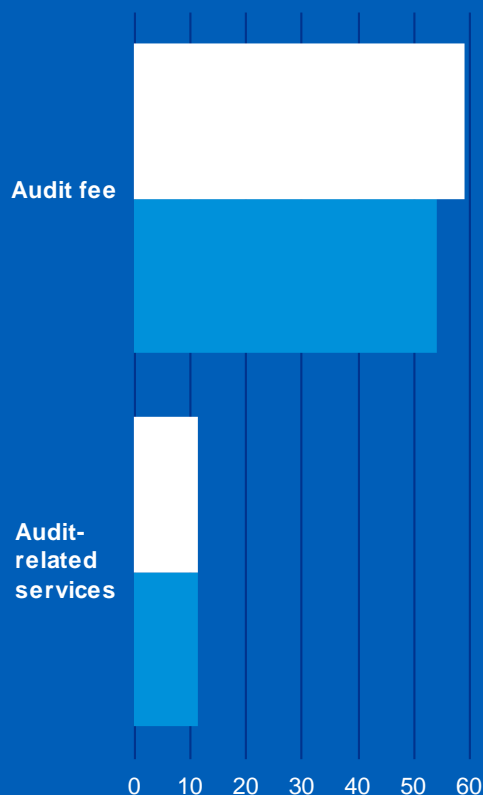
Certification of grants and returns

We are also currently undertaking the certification of the Authority's Housing Benefit (BEN01) return. This work is due to be finalised before the deadline of 30 November 2017. The planned scale fee for this work is £11,438.

Other services

We are also undertaking work in relation to the certification of the Pooling of Housing Capital Receipts grant claim, which is outside of Public Sector Audit Appointment's certification regime. Our 2016/17 work on the claim is currently ongoing and the final fee will be confirmed through our reporting on the outcome of our grants work in January 2018.

External audit fees 2016/17
(£'000)



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