



# Annual Audit Letter 2017/18

**Kettering Borough  
Council**



August 2018



A group of business professionals in a meeting, looking at documents. The image is a close-up, slightly blurred, showing several people in business attire. A woman with dark hair is on the left, looking down. A man with grey hair is in the center, also looking down. Another woman is on the right, partially visible. They are all looking at documents or a screen. The image has a blue horizontal band across the middle containing text.

**Section one**

# Summary for Monitoring and Audit Committee

## Section one:

# Summary for Monitoring and Audit Committee

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

## 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 £0.7 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 Monitoring and Audit 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 £0.525 million for the Authority.

We have identified no material audit adjustments.

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

- **Valuation of PPE** - Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We considered the way in which the Authority ensured that assets not subject to in-year revaluation were not materially misstated, and found no issues to note;
- **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 processes in place to ensure accuracy of data provided to the Actuary and gained assurance that the assumptions used in determining the valuation were appropriate;
- **Faster Close** - The timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We worked with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and felt little impact on our work.

## 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 Monitoring and Audit Committee (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 Budgets**—As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years and also pursue income generation strategies. We considered the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects and how budgets are monitored throughout the year and found processes were appropriate to deliver the Authority's budgets.

—**Investment Properties**—The Authority undertook a significant programme of investment in properties. This included the decision to bring forward the capital budget associated with the programme from 2018/19 to 2017/18 to allow opportunities to be taken in a way that is not constrained by a specific year end. We reviewed the governance and decision making associated with investment decisions as part of our value for money work and found no issues to note.

## High priority recommendations

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

## Section one:

# Summary for Monitoring and Audit Committee (cont.)

## Certificate

We issued our certificate on 31 July 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 £56,285, excluding VAT (2016/17: £58,843). Further detail is contained in Appendix 2. This includes an additional fee variation of approximately £2.6k in relation to the additional work undertaken in respect of the Authority's significant programme of investment in properties during the financial year. The fee variation is still subject to final approval by Public Sector Audit Appointments

## Exercising of audit powers

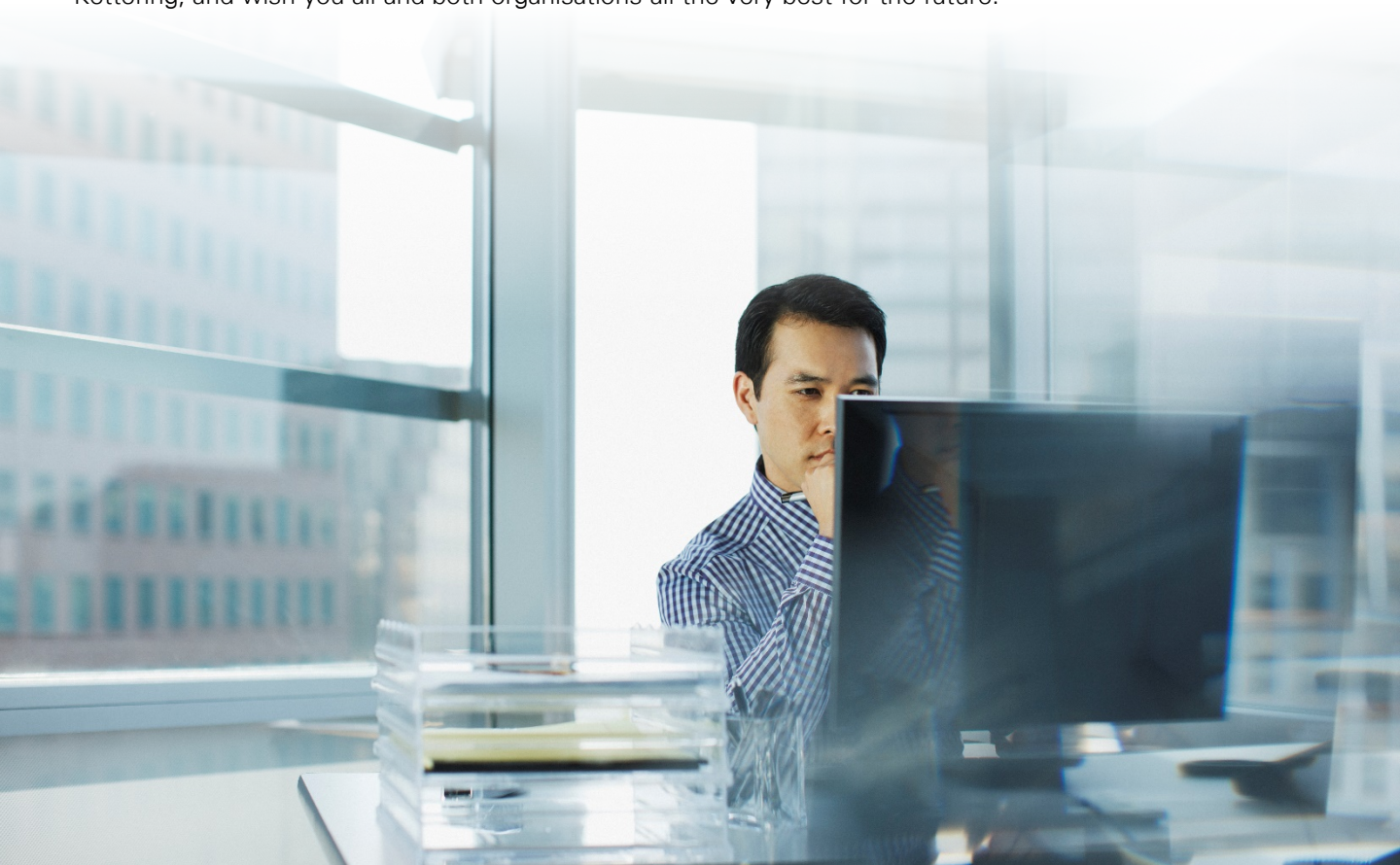
We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

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.

## Acknowledgements

We would like to take this final opportunity to thank all officers and Members for their thorough professionalism and excellent help over the many years we have provided the external audit service to Kettering, and wish you all and both organisations all the very best for the future.



# Appendices



## Appendix 1:

# 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 [www.kettering.gov.uk](http://www.kettering.gov.uk)

### Certification of Grants and Returns

This letter summarised the outcome of our certification work on the Authority's 2016/17 grants and returns.

### External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to support the VFM conclusion.

### Interim Audit Letter

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

### Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017/18 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 and our certificate.

### Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017/18.

2018

January

February

March

April

May

June

July

August

September

October

## Appendix 2:

# Audit fees

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

### External audit

Our fee for 2017/18 was £56,285, excluding VAT (2016/17: £58,843). Further detail is contained in Appendix 2. This includes an additional fee variation of approximately £2.6k in relation to the additional work undertaken in respect of the Authority's significant programme of investment in properties during the financial year. The fee variation is still subject to final approval by Public Sector Audit Appointments

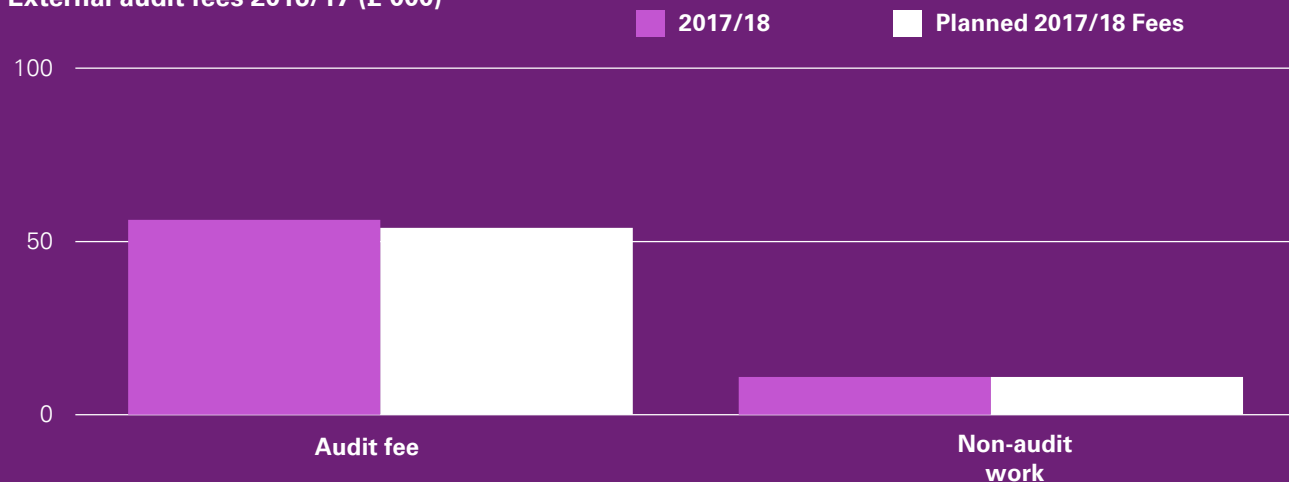
### Certification of grants and returns

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 planned fee for this work is £10,904 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

### 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 2017/18 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 2019.

### External audit fees 2016/17 (£'000)



All fees quoted are exclusive of VAT.





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](http://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@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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