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# Annual Audit Letter 2010/11

Kettering Borough Council

21 November 2011

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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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Saverio Della Rocca, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This report summarises the key findings from our 2010/11 audit of Kettering Borough Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2010/11 financial statements and the 2010/11 VFM conclusion.

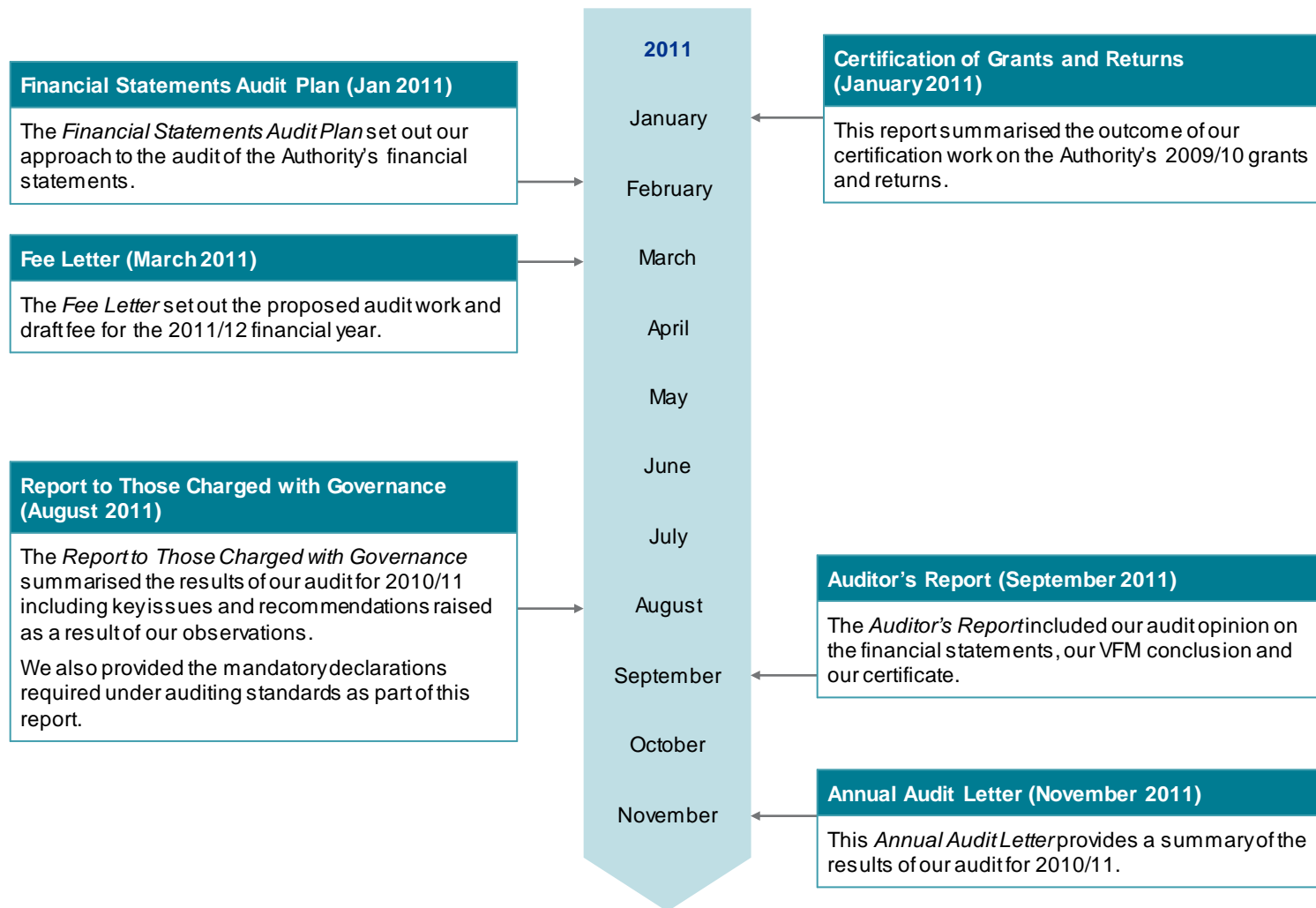
<p><b>VFM conclusion</b></p>	<p>We issued an unqualified value for money conclusion for 2010/11 on 30 September 2011.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness of your resources.</p> <p>To arrive at our conclusion we considered your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p> <p>We did not identify any significant issues, but we noted that the Authority will need to keep its financial projections under review in the light of the changing landscape and ensure services are prioritised to enable it to deliver future budgets.</p> <p>We have updated our understanding of the Council's financial position to the date of this letter. The Executive Committee reported to its November meeting that it is forecasting a £0.2m underspend against budget in 2011-12. It is also on track to deliver the £2m required savings, having secured £1.2m to date.</p> <p>For 2012-13 the Council continues to develop schemes to support the additional £1.2m savings requirement and is currently reporting identification of £0.8m schemes against the target (65%). The Council is confident that the budget is deliverable in line with the Medium Term Financial Strategy and will need to continue to track delivery.</p>
<p><b>Audit opinion</b></p>	<p>We issued an unqualified opinion on your financial statements on 30 September 2011. This means that we believe the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
<p><b>Financial statements audit</b></p>	<p>Our financial statements audit identified one audit adjustment which was material. This was amended by the Authority. This related to the recognition of an impairment loss for a 'held for sale' asset at the year end and had the following impact (there was no impact on the General Fund balance):</p> <ul style="list-style-type: none"> <li>■ Decreased the surplus on provision of services for the year by £1,110k</li> <li>■ Decreased the net worth of the Authority as at 31 March 2011 by £1,110k</li> </ul> <p>Our audit also identified one material technical presentational adjustment. This related to the re-categorisation of an exceptional pension gain of £8.9m. This was only a movement on the face of the Comprehensive Income and Expenditure statement. We also identified two unadjusted errors which were not considered material.</p> <p>There were no significant matters which we were required to report to "those charged with governance".</p>
<p><b>Annual Governance Statement</b></p>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of the Authority. We made a number of comments in respect of the Statement's format and content which the Authority agreed to amend where required.</p>

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

<p><b>High priority recommendations</b></p>	<p>We raised no high priority recommendations as a result of our 2010/11 work.</p> <p>We raised 3 recommendations in our ISA260 report to “those charged with governance”, two of which were medium risk, and one low risk. The two medium risk recommendations related to the Authority continuing to strengthen procedures over valuing assets held for sale and for ensuring that it accounts for assets on a component basis in line with International Accounting Standards by undertaking an annual review. An action plan has been agreed with Management.</p> <p>We also noted that 7 recommendations raised in our 2009-10 report remain in progress or outstanding. None of these were rated as high risk. The Authority should ensure these are implemented and we will continue to monitor progress during our 2011-12 audit.</p>
<p><b>Certificate</b></p>	<p>We issued our certificate on 30 September 2011.</p> <p>The certificate confirms that we have concluded the audit for 2010/11 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission’s <i>Code of Audit Practice</i>.</p>
<p><b>Audit fee</b></p>	<p>Our fee for 2010/11 was £124,000, excluding VAT (2009-10 £114,500). This was in line with the audit plan.</p> <p>Our grants work is still ongoing. The fee will be confirmed through our report on the <i>Certification of Grants and Returns 2010/11</i> which we are due to issue in January 2012.</p>

## Appendix 1: Summary of reports issued

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





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