



# Annual Audit Letter 2017/18

**Gedling Borough  
Council**

—

August 2018



A photograph of several business professionals in a meeting. In the foreground, a man in a dark suit and red striped tie is looking down at a document. Behind him, a woman with dark hair is also looking down. To the right, another man with grey hair is visible, looking towards the left. The background is slightly blurred, showing other people in the room. The overall tone is professional and focused.

**Section one**

# Summary for Audit Committee



# Summary for Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Gedling 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 £0.8 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 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 £40k for the Authority.

We have identified no audit adjustments. The statutory deadlines for both the unaudited and audited accounts moved forward by one and two months respectively this year, and officers recognised the additional pressures that this would bring and took appropriate action.

Officers also provided good quality working papers with clear management trails for the information despite the shorter timescale, and as in previous years they responded promptly to our audit queries.

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

- **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;
- **Valuation of PPE** – The Authority operates a cyclical revaluation approach, and the Authority is required to ensure that land and buildings are held at fair value unless specified otherwise. 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, and made use of a KPMG valuer to help us assess the figures and methodologies employed;
- **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 considered the assumptions used in determining the valuation;
- **Faster Close** – the bringing forward of the national year-end timetable represented a risk to the completion of the audit by the 31 July deadline.

We did not identify any evidence of material misstatement as a result of our audit work on these significant risk areas

# Summary for Audit Committee (cont.)

## 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 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** – The Authority reported an overall underspend on its net council budget of £42k against its quarter 3 estimate. This is after a transfer to earmarked reserves of £1.2m, and a further £49k transfer to the General Fund balance. This enables the General Fund balance to continue to remain at an acceptable level per the Authority's policy (above 7.5% of net council budget) at £5.9m.

We have 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 these risk areas which prevented us from giving an unqualified VFM conclusion. We have set out our findings in more detail in our report to the Audit Committee on 31 July.

## Recommendations

We raised one medium priority recommendation as a result of our 2017-18 work:

- **Property valuations** – we recommended that the Authority take steps to improve the quality of working papers that are maintained in respect of property valuations, and introduce a process for quality assuring the work. We also recommended that given the significance of the Civic Centre building, in line with good practice, that the Authority obtain an external valuation of the Civic Centre from an appropriately qualified and experienced RICS Registered Valuer.

## Certificate

We issued our certificate on 31 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 £42,570 plus additional fee for further work required on building valuations, which we are finalising with officers (2017: £43,364). Further detail is contained in Appendix 2.

## Section one:

# Summary for Audit Committee (cont.)

## 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 or provide details of any powers exercised.



# 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.gedling.gov.uk](http://www.gedling.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.

**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.





## Appendix 2:

# Audit fees

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

### External audit

Our final fee for the 2017-18 audit of the Authority was £42,570 plus additional fee for work relating to building valuations which we are finalising with Officers. The planned fee was £42,570.

The reason for the additional fee is a result of audit work relating to building valuations. Specifically, during the audit we encountered some difficulties in corroborating the basis of valuation used in a sample of valuations reviewed. The quality of working papers provided to us in support of the valuations lacked detail regarding the property condition and rationale for why the comparable evidence used to support the valuation was appropriate. The fee variation is being finalised with Officers and is 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. This certification work is still ongoing. The planned fee for this work is £10,562 and the final fee will be confirmed through our reporting on the outcome of that work in.

### 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 Appointments'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 Bush, 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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