



# Annual Audit Letter 2016/17

## Bassetlaw District 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](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 Tony Crawley, 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](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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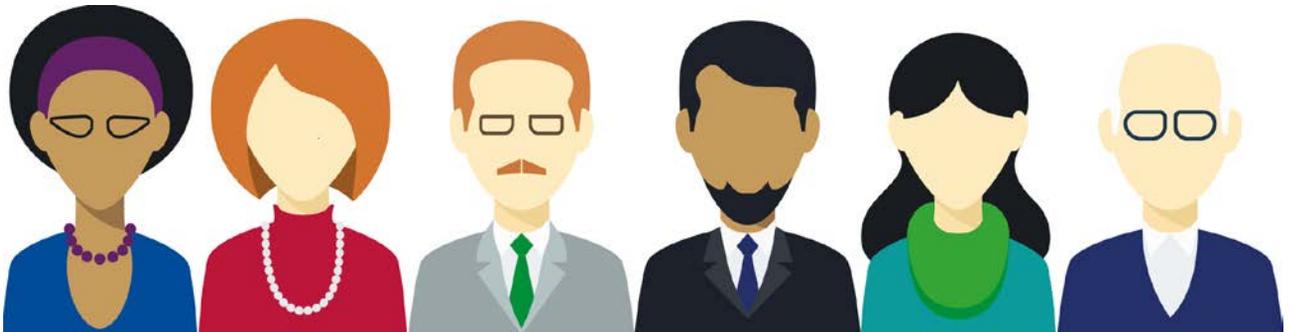
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## Section one

# Summary

This Annual Audit Letter summarises the outcome from our audit work at Bassetlaw District 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.

### VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM) for 2016/17 on 14 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 to identify the key areas impacting on our VFM conclusion and considered the arrangements the Authority has put in place to mitigate these risks.

In December 2016, the Cabinet approved a draft Medium Term Financial Plan (MTFP) 2017/18 – 2020/21 that sets out a balanced budget for 2017/18.

From 2018/19, the Authority has identified funding gaps; however it is confident that it can identify savings that are sufficient to bridge the forecast gap in the MTFP and intends to closely monitor the position.

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. We have summarised below and overleaf our key findings in relation to the 2016/17 VFM conclusion.

The Authority reported a surplus on its net cost of services budgets for 2016/17 of £1.1 million. This surplus resulted from £0.3m of extra fees and charges; £0.4m of additional housing benefit subsidy and the recovery of housing benefit overpayments; £0.3m Leisure Trust savings and surplus; and £0.1m of employee cost savings. This enabled the General Fund and Housing Revenue Account balances to increase by £0.2 million during 2016/17. In our ISA 260 2015/16 we highlighted some uncertainty with respect to the phasing out of Revenue Support Grant (RSG), probable changes to the New Homes Bonus scheme, which were confirmed during 2016/17 and reforms to National Non Domestic Rates (NNDR), which remain to be clarified. In response to this residual uncertainty, the Authority has updated its Medium Term Financial Plan (MTFP) based on prudent and reasonable assumptions.



## Section one

### VFM risk areas (cont'd)

The Authority's MTFP details a balanced budget for 2017/18. However, it also details financial challenges in future years, resulting in the need for further savings of £2 million by 2020/21 which have yet to be identified, (see the table below). The Authority's approach to-date has been to remove agreed savings from base budgets as part of the annual budget setting exercise and then monitor the in-year position. We have reviewed the Authority's approach to identifying and achieving savings and have found that appropriate arrangements are in place.

Year	2017/18	2018/19	2019/20	2020/21
Budget shortfall (£m)	nil	1.1	0.6	0.3

We have not identified any matters we wish to draw to the Authority's attention in relation to its arrangements for ensuring informed decision making and working with partners and third parties.

### Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 14 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.

### Financial statements audit

We found the framework of controls in place at the Authority to be good and we received a complete set of draft accounts on 17 May 2017, well before the statutory deadline of 30 June 2017. All of the required working papers were available by the agreed date and met the expected quality standards. The finance team responded promptly during the audit to our requests for additional information or explanation. Our work identified one audit misstatement. The Authority had applied a Bassetlaw specific house price index to the value of its council housing to estimate its value as at 31 March 2017. Because there is a delay between the relevant month end and when the associated indexation information is available, the January 2017 index was used for estimation purposes which indicated a 8.7% increase. The Bassetlaw specific house price index fell markedly between January 2017 and March 2017 reducing the increase indicated by the index to 4.7%. However, the Authority did not revisit and revise downward the estimated value of its council housing in the light of this information. This resulted in the value of the Authority's council housing being overstated by £9.946 million in the draft accounts. The Authority corrected this material misstatement in the final version of its accounts for 2016/17. There was no impact on the funds available as a result of this correction.

### 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.

### Certificate

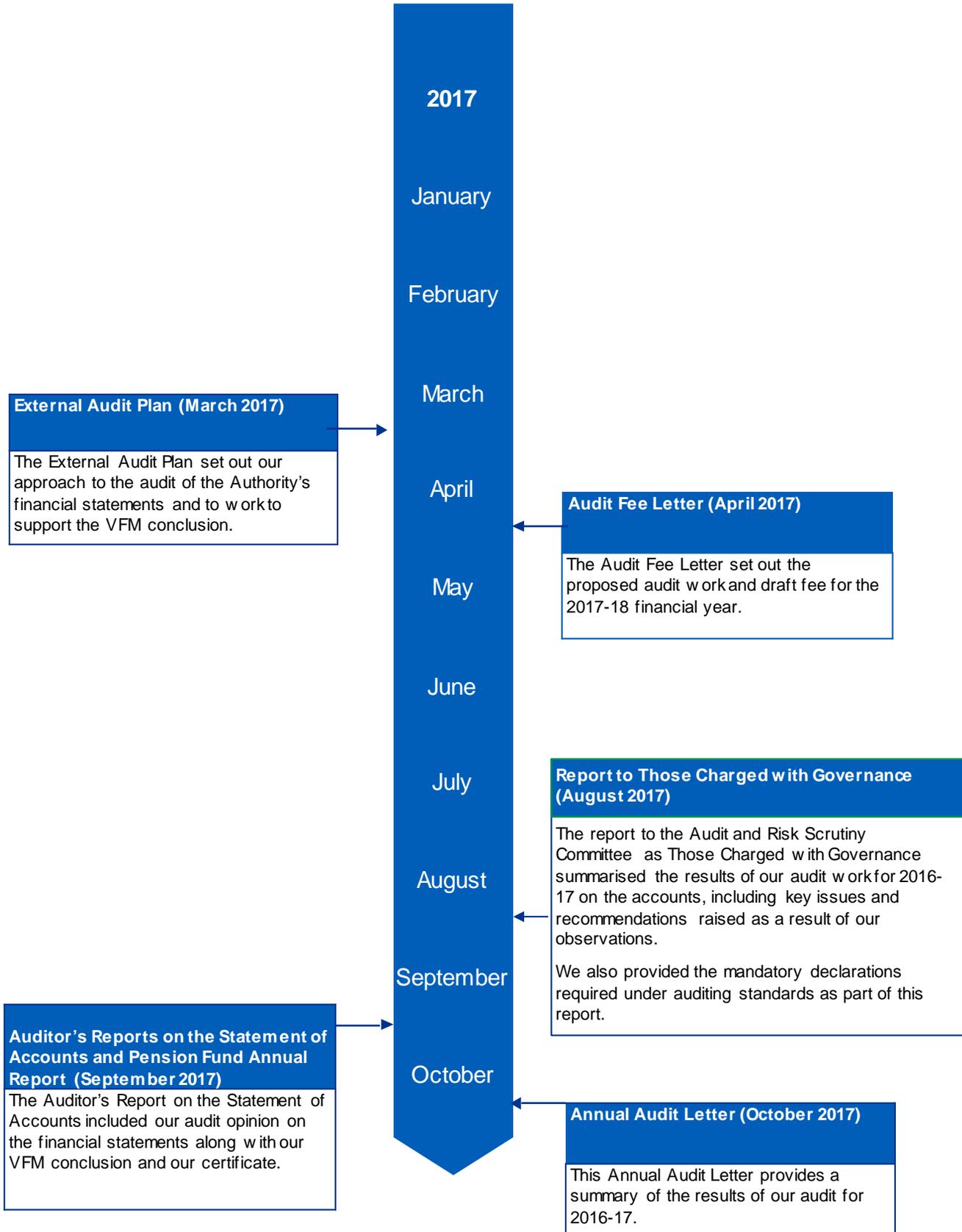
We issued our certificate on 14 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

### Audit fee

Our fee for 2016/17 was £57,825 plus VAT. Within this sum we have agreed an additional fee of £600 plus VAT in relation to the additional work undertaken on the valuation of the Authority's council dwellings with the Section 151 Officer. This will be subject to PSAA determination. Further detail is contained in Appendix 2.

# Summary of reports issued

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



## Appendix 2

# 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 is proposed to be £57,825 plus VAT (£57,225 plus VAT for 2015/16). Within this amount we have agreed with the Section 151 Officer an additional fee of £600 plus VAT in relation to the additional work we needed to carry out on the valuation of the Authority's council dwellings. This will however be subject to final determination by Public Sector Audit Appointments (PSAA).

Under our terms of engagement with PSAA we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is ongoing. The planned fee is £4,650 plus VAT (£5,190 plus VAT for 2015/16) the final fee will be confirmed through our reporting on the outcome of that work in January 2018.

### Other services

We charged £3,000 plus VAT for additional audit-related services for the certification of the pooling of housing receipts for 2016/17 (£3,000 plus VAT for 2015/16) which is outside of the PSAA's certification regime. In 2015/16 we also charged £10,000 for additional non-audit-related services relating to the tax implications for leisure services. We did not make a similar charge for such services in 2016/17. Our work on these tax services was not related to our responsibilities under the Code of Audit Practice.

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