



Section one

Summary for Audit and Risk Scrutiny Committee



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This Annual Audit Letter summarises the outcome from our audit work at Bassetlaw District 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 external stakeholders, including members of the public, and will be placed on the Authority's website.

This is KPMG's last Annual Audit Letter to the Authority. We would like to take this opportunity to thank the Authority's officers and the members of the Audit and Risk Scrutiny Committee for their support throughout the six years of our audit appointment.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 30 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 £1.25 million which equates to around 1.2% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit and Risk Scrutiny 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 £62,000.

We identified an indexation error on property of £2.060 million, and there was a further audit adjustment for a duplicated debtor with a value of £0.4million. There was also a £2 million presentation adjustment involving the incorrect classification of a bank deposit account as a short term investment.

The working papers provided this year have been of a good standard and were available at the start of the audit visit. The finance team responded promptly to any requests for additional information or explanation and were available throughout the audit visit. We thank the finance team for their co-operation throughout the visit which allowed the audit to progress within the allocated timeframe.

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 has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. This creates a risk that the carrying value of those assets not revalued in-year differs materially from the year end fair value. As a result of our work we determined that indexation was not correctly applied in the 2017/18 valuation work leading to the material amendment of £2.060m to the 2017/18 accounts.
- **Pensions Liabilities** the net pension liability represents a material element of the Authority's balance sheet. There is a risk that the assumptions and methodology used in the actuarial valuation of the Authority's pension obligation are not reasonable which could have a material impact on the net pension liability accounted for in the financial statements.

Apart from the indexation issue outlined above, we did not identify any other evidence of material misstatement as a result of our audit work on these significant risk areas.



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Summary for Audit and Risk Scrutiny 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 significant 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 30 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 considered the Authority's arrangements to make informed decisions, undertake sustainable resource deployment and work 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 risk:

• **Delivery of Budgets** - As a result of reductions in central government funding, and other pressures, the Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan. As part of our additional risk based work, we reviewed the arrangements the Authority has in place in these areas and for ensuring its continuing 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.

High priority recommendations

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

Certificate

We issued our certificate on 30 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.



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Summary for Audit and Risk Scrutiny Committee (cont.)

Audit fee

The scale fee set by Public Sector Audit Appointments Limited (PSAA) for the 2017/18 audit is £57,225 plus VAT. The PSAA scale fee for 2016/17 was £57,225 plus VAT.

Further detail is contained in Appendix 2.

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.

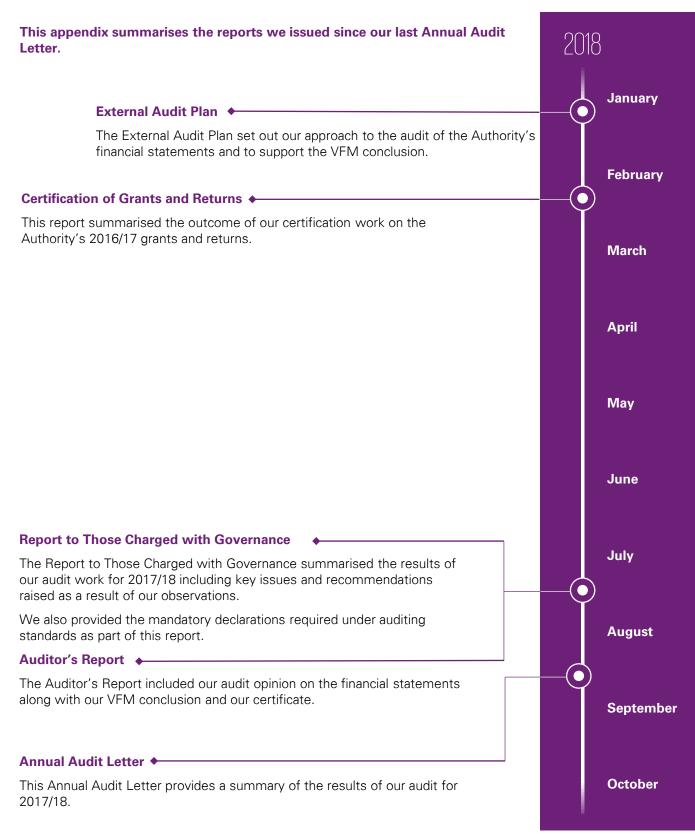


Appendices



Appendix 1:

Summary of reports issued





Appendix 2:

Audit fees

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

External audit

The scale fee set by Public Sector Audit Appointments Limited (PSAA) for the 2017/18 audit is £57,225 plus VAT. The PSAA scale fee for 2016/17 was £57,225 plus VAT. We have agreed additional fees of £859 relating to the indexation issue and £610 for new subsidiary company set-up. Any additional fee will be subject to PSAA approval.

Certification of grants and returns

Under our terms of engagement with PSAA we undertake prescribed work in order to certify the Authority's 2017/18 housing benefit grant claim. This certification work is still ongoing, and the certification deadline is 30 November 2018. The PSAA scale fee for this work is £5,190 and the final fee will be confirmed through our reporting on the outcome of that work in January/February 2019.

Other services

We charged £3,000 for the independent assurance report on the 2016/17 Pooling of Housing Capital Receipts Return. This work was not related to our responsibilities under the Code of Audit Practice and was agreed through a separate Engagement Letter.





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).

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, by email to Andrew.Sayers@kpmq.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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