



# Annual Audit Letter 2016/17

**Telford and Wrekin  
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 Ian Pennington, 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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# Headlines

This Annual Audit Letter summarises our audit work at Telford and Wrekin 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.



## Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 26 September 2017. Our unqualified opinion 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.

We have made three recommendations to strengthen the Authority's control environment. This includes one high priority recommendation. Further detail can be found at Appendix 1.



## VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 26 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.

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 in place to mitigate these risks.

Our assessment identified that financial resilience is a significant VFM risk to the Authority. The need for savings will continue to have a significant impact on the Authority's financial resilience. As part of its response to reductions in central government funding, the Authority has demonstrated a commitment to identifying new income streams.

Our work assessed the controls the Authority has in place to ensure a sound financial standing. We also reviewed the way in which the Authority monitors the delivery of income from commercial projects.

We have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

# Headlines (continued)

### Financial statements audit

We are pleased to report that we did not identify any material misstatements as a result of our audit work. We identified one non-material audit difference, which was not adjusted by management.

We agreed a number of minor presentational and disclosure changes to the supporting notes to the accounts to ensure that the accounts were compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We identified one high priority recommendation, in relation to related party declarations obtained from councillors and management. Further detail can be found at Appendix 1.

As part of our audit work we followed up on the Authority's progress against the audit recommendation raised during 2015/16. We are pleased to report that the Authority has taken appropriate action to address the issue that we have previously highlighted.

### 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 in respect of the Annual Governance Statement being inconsistent with the guidance set out in *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE.

### Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

### Certificate

We issued our certificate on 5 October 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.

We also issued on 5 October 2017 our certificate for 2015/16, which had been delayed whilst we completed our work in response to questions raised by an elector. Further detail is provided below.

### Response to elector question

As reported in our 2016/17 audit report, our audit certificate for the 2016/17 accounts was delayed for a short period due to an outstanding elector question in relation to a loan provided by the Authority to AFC Telford. This also delayed the issuance of the certificate for 2015/16.

We have concluded our work in respect of the elector question and identified no significant findings. We have made recommendations to management. As a result of the additional work required to conclude on this question, we have incurred additional costs for which a fee of £4,570 was agreed with the Authority and which is being reviewed by Public Sector Audit Appointments.

### Audit fee

Our scale fee for 2016/17 was £117,119 excluding VAT. This is the same as in the prior year.

We have also carried out work on the Nuplace Limited financial statements, consolidation of these into the Group financial statements, and taxation compliance for Nuplace Limited, as well as housing benefits certification and Teachers' Pension Agency return certification work. Further detail is contained in Appendix 3.

# Key issues and recommendations

Following the completion of our audit work we have raised three recommendations.

**H High priority** - Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

**M Medium priority** - Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

**L Low priority** - Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

## **H** 1. Related Party Declarations

At the time of concluding our on-site audit visit, the Authority was still awaiting 29 out of 66 related party declarations. We understand from management that, following an exercise by the Authority to request outstanding declarations, 4 declarations remain outstanding at the time of issuing our report. Related Party Declarations need to be completed and returned on a timely basis so that the Authority is aware where such relationships may exist. Identification of related parties is important, not just to enable disclosure in the accounts, but to ensure that the Authority can demonstrate that it is making decisions free from influence and demonstrate value for money.

### **Recommendation**

The Authority should ensure that related party declarations are completed and returned on a timely basis, and that these declarations are used to inform the register of interests and accounts disclosures.

### **Management response**

Councillors will be reminded that it is their duty to declare any interests and that we are required by Regulation to include this information in the Statement of Accounts. Additional reminders will also be issued earlier in the process.

#### **Owner**

Ken Clarke, AD: Finance & HR; Bernie Morris, Finance Team Leader

#### **Deadline**

March 2018

# Key issues and recommendations

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## 2. 2017/18 Early Closedown

Over recent years the Finance team has demonstrated a strong track record of achieving closure of the accounts.

2017/18 represents the first year of the earlier deadline of 31 May for the first Draft accounts to be made available, and 31 July for approval and publishing of the accounts, brought forward from 30 September.

### Recommendation

The Authority should plan to bring forward its Audit Committee meeting to receive the accounts, further evaluate where the year end timetable could be streamlined and ensure audit requirements are met to facilitate an earlier audit in 2017/18. Ideally the Authority should move to more rigorous closedowns of all account areas (such as capital) on a monthly basis.

### Management response

The provisional meeting timetable for 2018/19 includes an Audit Committee meeting before the end of May to receive the draft accounts. Considerable work has already been undertaken to accelerate the SOA timetable and the 2016/17 draft accounts were complete on the 7 June. Although challenging, some further adjustments will be made to meet 31 May deadline for the 2017/18 draft accounts. Discussions have already taken place about taking a different approach to the audit next year with more work being undertaken at the interim audit stage, or earlier. Finance staff will assist as far as possible in ensuring a smooth audit with the aim of publication of the final accounts by the 31 July deadline.

### Owner

Pauline Harris – Finance Manager; Bernie Morris – Finance Team Leader

### Deadline

Now to 31 May 2018

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## 3. Completeness of valuation information

We identified one instance where incomplete information was provided to the valuer, resulting in an incorrect valuation and audit difference.

### Recommendation

The Authority should ensure that there is a robust process in place to ensure that all relevant information is provided to the valuer in advance of the valuation being made.

### Management response

The error occurred due to a missing completion certificate which resulted in the capital spend relating to the asset being incorrect on the valuers' spreadsheet. Going forward the new Fixed Assets Module will produce a list of assets to be valued, this will include the capital expenditure to date and should ensure that an error of this nature does not occur again. Valuers will also be able to access the module to check capital spend.

### Owner

Bernie Morris, Finance Team Leader; James Dunn, SDM Estates & Investments

### Deadline

30 September 2017

# Summary of reports issued

Month	Report Title	Description
Jan	<b>External Audit Plan 16/17</b>	The External Audit Plan set out our approach to the 2016/17 audit of the Authority and Pension Fund financial statements. We also set out work to be undertaken to support the VFM conclusion.
Feb	<b>Annual report on grants and returns 15/16</b>	This report summarised the results of work we carried out on the Council's 2015/16 grant claims and returns.
Mar	<b>Audit Fee Letter 17/18</b>	The Audit Fee Letter set out the proposed audit work and draft fee for the 2017/18 financial year.
Apr	<b>Audit progress letter 16/17</b>	The audit progress letter summarised the results from the preliminary stages of our audit, including testing of financial and other controls.
May	<b>External Audit Report 16/17</b>	The External Audit Report summarised the results of our audit work for 2016/17 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.
Jun	<b>Auditor's Report 16/17</b>	The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion.
Jul	<b>Audit Closure Letter and Certificate 16/17</b>	This reported that we had formally concluded our audit for 2016/17.
Aug	<b>Annual Audit Letter 16/17</b>	This Annual Audit Letter provides a summary of our audit findings for 2016/17.
Sep		
Oct		
Nov		

This appendix summarises the reports we issued to the Authority's Audit Committee since our Annual Audit Letter, issued in October 2016.

These reports can be accessed via the Audit Committee pages on the Authority's website at:

[apps.telford.gov.uk/CouncilAndDemocracy/Meetings/Calendar](https://apps.telford.gov.uk/CouncilAndDemocracy/Meetings/Calendar)

## Appendix three

# 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 and in the chart opposite our fees for the Authority's 2016/17 financial year.

### External audit

Our fee for the 2016/17 audit of Telford and Wrekin Council is £117,119 plus VAT (2015/16: £117,119). This is in line with the PSAA scale fee.

We have been required to perform additional work as a result of an elector question raised during the 2015/16 audit year. We have now concluded this work. We have agreed a fee of £4,570 plus VAT with the Authority in respect of this. This is subject to PSAA approval.

In addition, we have agreed an additional fee of £808 plus VAT (2015/16: £808) with the Authority and PSAA for the additional work required around the consolidation of Nuplace into the Authority's accounts.

### Certification of grants and returns

Our final fee for our 2016/17 housing benefits certification work (BEN01) was £7,155 plus VAT (2015/16: £9,239). This is in line with the PSAA scale fee.

### Other services (non-PSAA services)

#### Nuplace Limited

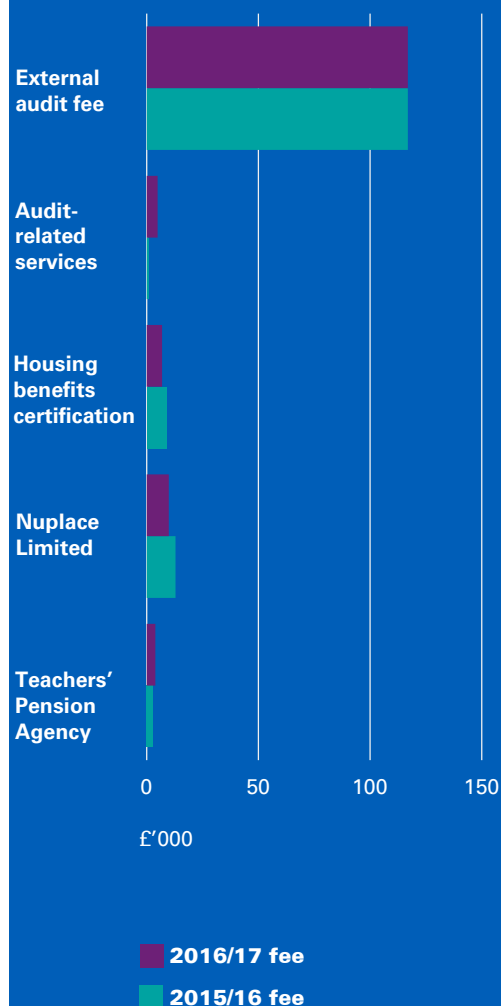
Our fees for the separate audit of the Nuplace Limited financial statements were £9,850 plus VAT (2015/16: £9,850).

We were separately engaged by Nuplace to perform tax compliance work on the 2016 tax returns amounting to £2,500, and iXBRL tagging of £850, plus VAT.

#### Teachers' Pension Agency return

Our proposed fee for the certification of the Authority's Teachers' Pension Agency return is £3,500 plus VAT (2015/16: £3,000). This has increased due to additional work required as a result of changes to the certification procedures.

## Fees 2016/17



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