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# Annual Audit Letter 2013/14

Oadby and Wigston Borough Council

October 2014



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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. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett 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, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 4448 330.

**This report summarises the key findings from our 2013/14 audit of Oadby and Wigston 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 2013/14 financial statements and the 2013/14 VFM conclusion.**

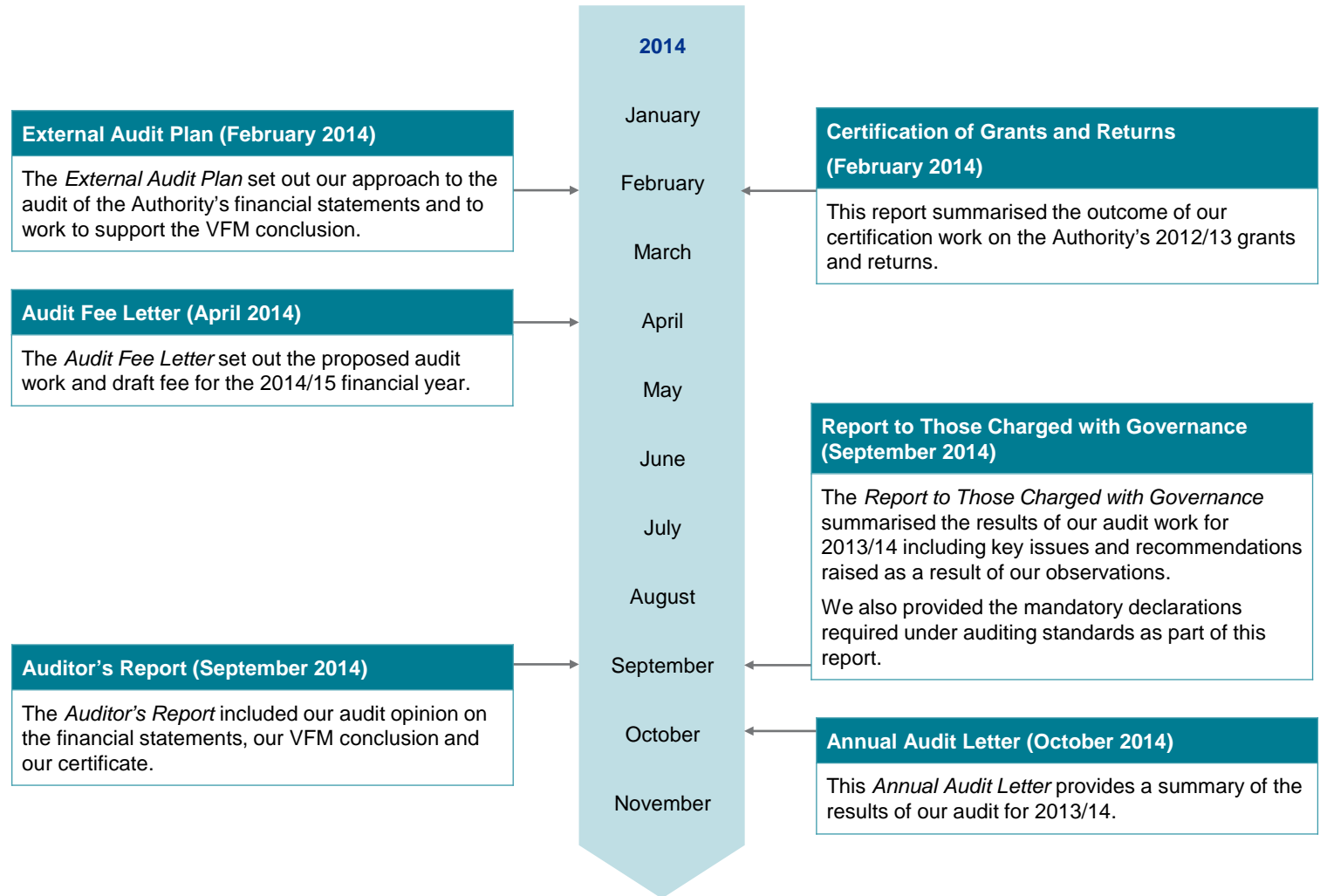
<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 29 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<b>VFM risk areas</b>	<p>We identified one significant risks to our VFM conclusion regarding the delivery of savings and considered the arrangements you have put in place to mitigate this.</p> <p>The Authority underspent its original revenue budget by £419k, and its revised budget by £268k. This, with additional funding of £73k, and an underspend on capital financing of £13k, resulted in a transfer to reserves of £290k, together with an increase in General Fund balances of £161k. This places the Authority in a good position for meeting its budget gap for 2014/15.</p> <p>The MTFs (medium term financial strategy) was updated by the Authority in March 2014. This highlighted a budget gap in 2015/16 of £689k and noted 5 work streams for addressing this and ensuring the sustainability of the MTFs. In addition the Authority has created 2 new earmarked reserves, Management of Change and Income Profiling Reserve, to support these initiatives and also to guard against unforeseen fluctuations in levels of fee income.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 29 September 2014. 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.</p>
<b>Financial statements audit</b>	<p>Our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund.</p> <p>The Authority put through a prior year adjustment to reflect changes in the international accounting standard IAS19 Employee Benefits. Strict application of accounting standards say that a prior year adjustment should only be made if there is a change in accounting policy or results in material amendments. The adjustment was not material (£137k) and was not a change in the Authority's accounting policy. Therefore, under the accounting standards the prior year adjustment was not required. As the adjustment is not material, we have not sought amendment to the accounts. We have accepted the Authority's explanation that it chose to make the amendment so that users of the accounts are aware of what has changed from previous year.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of your governance arrangements.</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.

<b>Whole of Government Accounts</b>	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 disclosures regarding Plant Property and Equipment, and Pensions were consistent with the audited financial statements.
<b>Certificate</b>	We issued our certificate on 29 September 2014. The certificate confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
<b>Audit fee</b>	Our scale audit fee for 2013/14 was £56,145, excluding VAT. We are currently discussing an additional fee of £900 in respect of additional opinion work relating to National Non Domestic Rates (NNDR) with the Audit Commission, and this has been agreed with your S151 Officer. Further detail is contained in Appendix 2.

## Appendix 1: Summary of reports issued

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



**This appendix provides information on our final fees for 2013/14.**

To ensure openness between KPMG and your Policy, Finance and Development Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

#### **External audit**

The planned fee for the 2013/14 audit of the Authority was £56,145. Proposed additional fees of £900 are subject to final determination by the Audit Commission. The reason for the variations is:

- To deliver our 2013/14 audit opinion there were two elements of our work that we had previously carried out while certifying LA01 (the NNDR3 return), and relied upon for our opinion audit. In 2013/14, as a result of there being no certification of the NNDR3 return, we have had to carry out this work as additional procedures to our opinion audit.

#### **Certification of grants and returns**

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue in January 2015.

#### **Other services**

We have not carried out or charged for any other services which are not related to our responsibilities under the Audit Commission's *Code of Audit Practice*.



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