

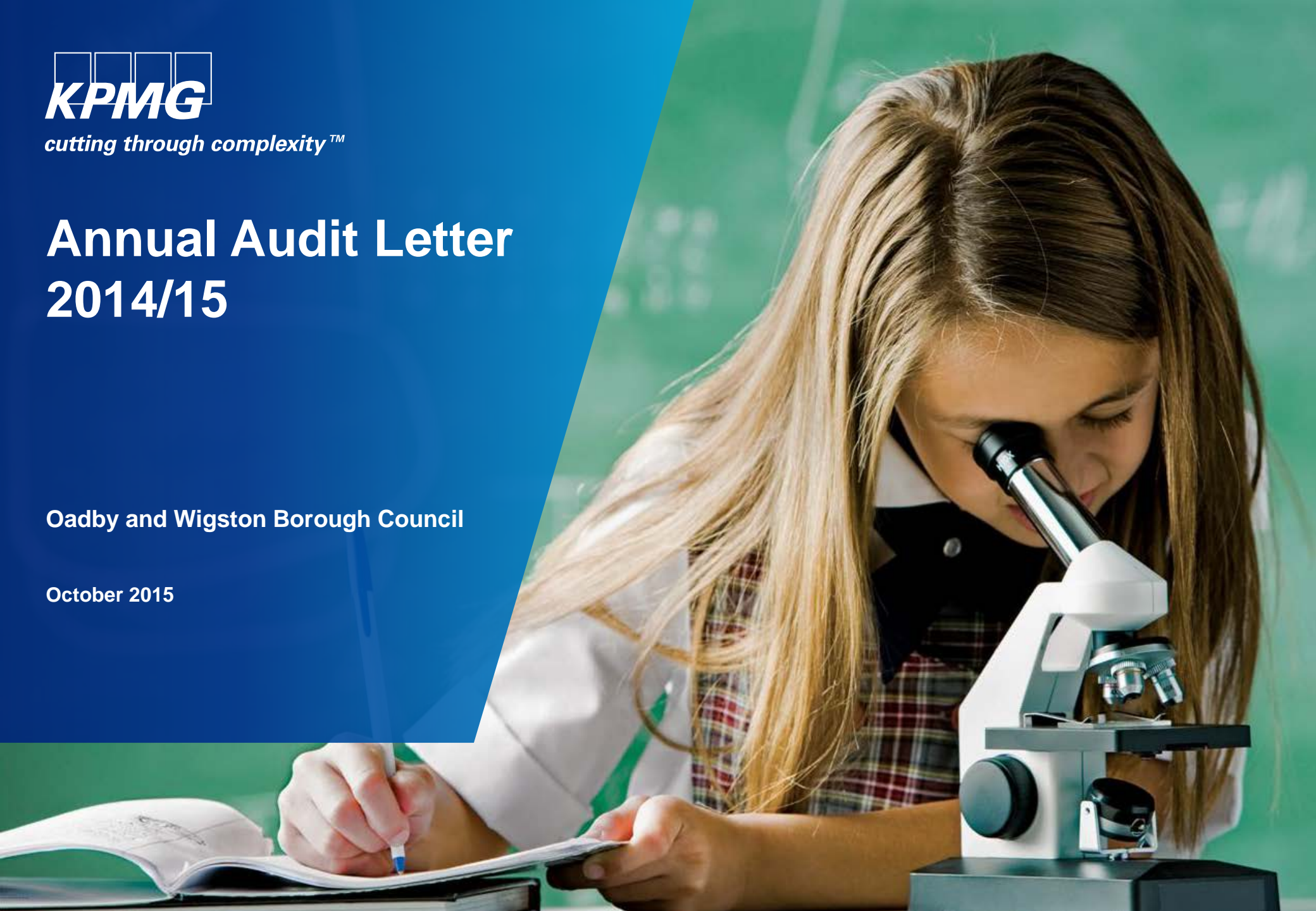


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Annual Audit Letter 2014/15

Oadby and Wigston Borough Council

October 2015



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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 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).

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 John Cornett 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, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@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, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 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 2014/15 financial statements and the 2014/15 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 29 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 29 September 2015. 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>
Financial statements audit	<p>We identified a number of non material audit adjustments which have been amended by your Officers. We also identified a small number of presentational adjustments required to ensure that the accounts are compliant with the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')</i>.</p> <p>Further to our report of September, we experienced some difficulties in completing the audit, arising from a number of delays in responding to requests, which then required return site visits to address. During our closing procedures we also identified further errors and inconsistencies which required additional work. We will be holding a de-brief meeting with your officers on how processes can be improved for future years. In particular we will discuss the action you propose to take to address the changes to the Accounts and Audit Regulations, which bring forward the reporting deadlines for both the Authority and the auditors for 2017/18.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

We provide a summary of our key recommendations in Appendix 1.

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

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.
High priority recommendations	<p>We raised 3 high priority recommendations as a result of our 2014/15 audit work. These are detailed in Appendix 1 together with the action plan agreed by management.</p> <p>We recommended that:</p> <ul style="list-style-type: none"> • The Authority review the bank reconciliation process to identify opportunities for completing reconciliations more quickly. • The Authority obtain assurances over the operation of the payroll system in future years from the Service Organisation • The Authority ensure that the payroll monitoring spreadsheet which provides excellent control for monitoring both payroll costs and the services provided by the Service Organisation, is updated on a monthly basis. <p>We will formally follow up these recommendations as part of our 2015/16 work.</p>
Certificate	We issued our certificate on 29 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	The scale fee for 2014/15 was £57,045, excluding VAT. An additional fee of £1,707 was agreed with Officers and the Audit Commission, as set out in our audit plan, to cover the work on the capital accounting for the new swimming pool and leisure centre. We have also agreed a further additional fee of £7,016 with your officers relating to additional time spent on the audit of the accounts. This is subject to agreement by Public Sector Audit Appointments. Further detail is contained in Appendix 3.

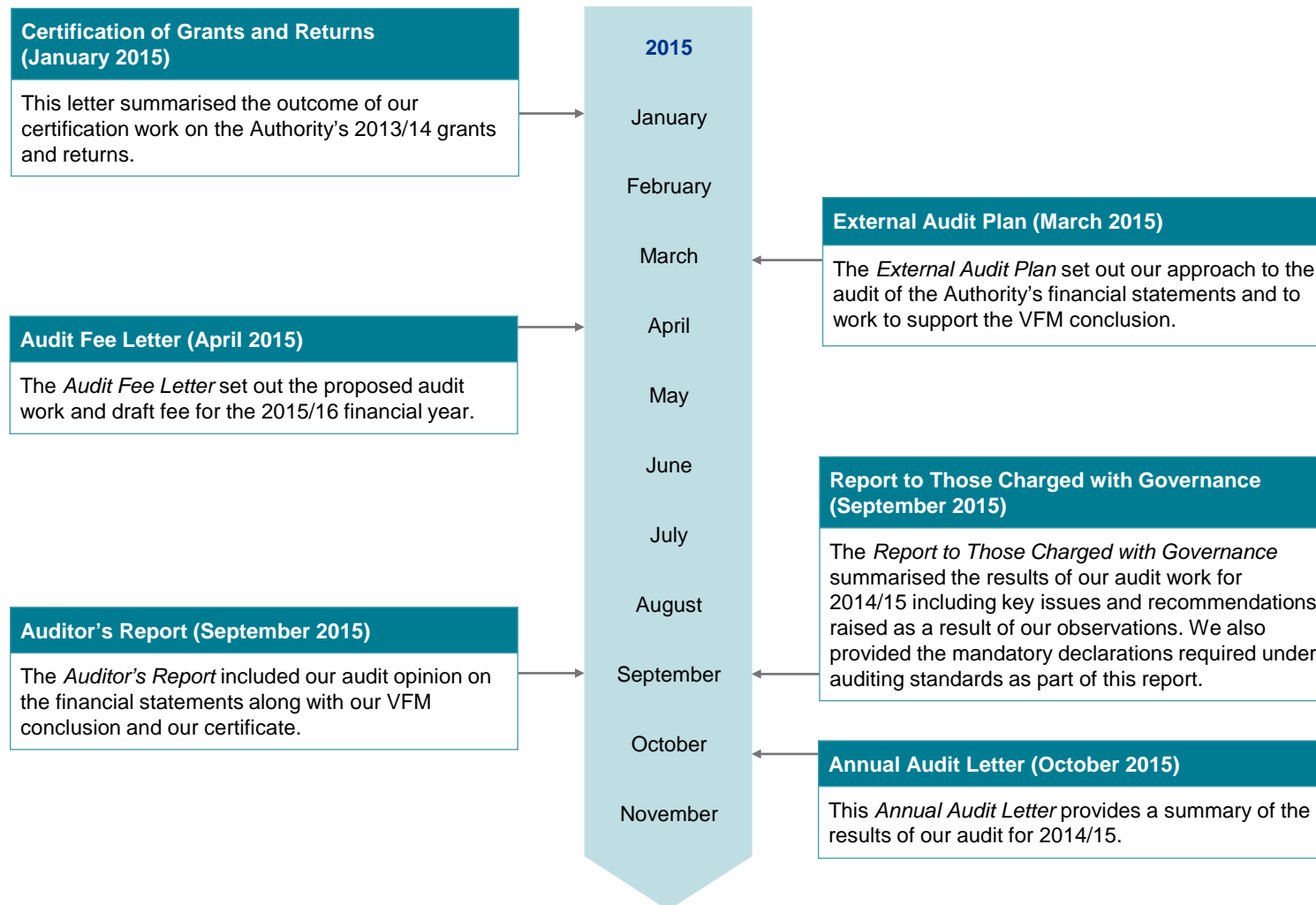
Appendix 1: Key issues and recommendations

This appendix summarises the 3 priority recommendations that we identified during our 2014/15 audit, along with your responses to them.

We will be holding a debrief meeting with the Finance Manager to discuss the learning points from this year's audit, including minor issues that we have not formally reported.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Cash and Bank reconciliations</p> <p>At our interim audit in March we noted that the cash and bank reconciliation had not been completed since November 2014. This reconciliation is a key control and has a pervasive effect throughout the Authority's accounts. The reconciliation was found to be up to date at our accounts visit, however it was noted that the process takes around 6 weeks to complete.</p> <p>Recommendation</p> <p>Ensure that reconciliations are undertaken on a timely basis.</p> <p>Review the reconciliation process to identify opportunities—for completing reconciliations more quickly.</p>	<p>Agreed.</p> <p>Financial Services Manager</p> <p>A review of the bank reconciliation processes and procedures is underway. Any required changes will be implemented by 31 December 2015.</p>
2	<p>Payroll system – Service organization assurances</p> <p>The Authority had not requested, received, or considered an annual assurance statement from Leicestershire County. Council (LCC) in respect of the payroll services that LCC provides. Following our audit a copy of LCC's internal audit report was requested and reviewed by your officers to support the Annual Governance Statement.</p> <p>Recommendation</p> <p>Ensure that assurances over the operation of the payroll system are received in future years.</p>	<p>Agreed with immediate effect.</p> <p>Finance Manager</p>
3	<p>Payroll system – monitoring spreadsheet</p> <p>The Authority maintains a detailed monitoring spreadsheet of the payroll through out the year. This provides an excellent mitigating control over the lack of assurances reported above. However the spreadsheet had not been completed at the time of the final accounts visit for figures for March 2015. We asked officers to complete this during the visit in order to provide us with the necessary assurances over the payroll system, and this was provided to us at the end of July.</p> <p>Recommendation</p> <p>Ensure that the payroll monitoring spreadsheet is updated on a monthly basis.</p>	<p>Agreed with immediate effect.</p> <p>Principal Accountant</p>

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



This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 scale audit fee.

External audit

Our final fee for the 2014/15 audit was £65,768. This compares to a scale fee of £57,045. The reasons for this variance are:

- An additional fee of £1,707, as set out in our audit plan, relating to the additional work required to address a significant risk arising from the accounting for the de-recognition of the previous assets and the recognition of the new build.
- an increased fee for the audit of the financial statements reflecting additional costs incurred in carrying out the final accounts audit of £7,016 over and above our initial estimate;

Our fees are still 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 final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

We did not charge any additional fees for other services.



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