



Annual Audit Letter 2015/16

Oadby and Wigston Borough Council

October 2016



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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).

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). 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 Annual Audit Letter summarises the outcome from our audit work at Oadby and Wigston Borough Council in relation to the 2015/16 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 conclusion) for 2015/16 on 28 September 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties. 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 you have put in place to mitigate these risks.

We considered the Authority's arrangements for securing financial resilience. This has included detailed reviews of key documents including the Medium Term Financial Strategy (MTFS) and the Corporate Plan:

- We reviewed the assumptions contained within the MTFS for pay and price inflation and concluded they are reasonable.
- Our work concluded that the planning assumptions made by the Authority were reasonable. We recognise that there are significant uncertainties about the future of local government financing, for example the details of reform to Business Rates and New Homes Bonus.
- The Authority set its final General Fund 2016/17 budget in February 2016, with a net revenue budget of £6.4 million, £600k lower than the figure included within the MTFS approved in October 2015. The Authority has identified £633k of efficiency targets to support this budget, which forecast the use of £145k of general revenue reserves.
- The Authority approved an updated MTFS in April 2016, which covers the four years to 2019/20. This reflected the 2015 Autumn Statement and Spending Review, and shows an overall reduction in general fund balances of £428k with net savings required of £1.4m over the period.

During the year a number of officers lodged a grievance against the senior management team. The Authority responded promptly to the grievance, appointing an independent review team from the Local Government Association (LGA) to investigate the allegations. The report produced found no grounds for these allegations, but did make recommendations regarding the action that the Authority will need to take in the aftermath of the process.

The Authority notified us when the grievance was lodged, kept us informed throughout as to the progress being made with the independent review, and the findings once this had been completed.

The challenge now facing the Authority is to continue delivering quality services with a reduced middle management team. The Authority has set up a Change Management Committee to address the issues raised in the LGA report, and change management project plan has been put in place. As part of our consideration of the sustainable resource deployment element of the value for money conclusion for next year we will continue to monitor the Authority's progress in implementing change.

Section one

Headlines (cont)

This Annual Audit Letter summarises the outcome from our audit work at Oadby and Wigston Borough Council in relation to the 2015/16 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 28 September 2016. 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	<p>The revaluation gains on the investment property were misallocated to the revaluation reserve instead of the Comprehensive Income and Expenditure statement (CIES). This resulted in a movement of £153k from the revaluation reserve to the CIES under the Financing and Investment Income line.</p> <p>Our audit also identified a number of minor presentational misstatements in the financial statements.</p> <p>These were discussed with management and the financial statements were amended.</p>
Annual Governance Statement	We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.
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 28 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our fee for 2015/16 was £43,578, excluding VAT. This includes a proposed additional fee of £794 relating to the risk identified in our audit plan regarding the Leisure Centre contracts. 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.

Budget Survey Report (February 2016)

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

External Audit Plan (March 2016)

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

Audit Fee Letter (April 2016)

The Audit Fee Letter set out the proposed audit work and draft fee for the 2016/17 financial year.

Auditor's Report (September 2016)

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

2016

January

February

March

April

May

June

July

August

September

October

November

Certification of Grants and Returns (February 2016)

This report summarised the outcome of our certification work on the Authority's 2014/15 grants and returns.

Report to Those Charged with Governance (September 2016)

The Report to Those Charged with Governance summarised the results of our audit work for 2015/16 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.

Annual Audit Letter (October 2016)

This Annual Audit Letter provides a summary of the results of our audit for 2015/16.

Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final proposed fee for the 2015/16 audit of Oadby and Wigston Borough Council is £43,578. This compares to a planned fee of £42,784. The reason for this variance is:

- additional work, which was not allowed for in our initial plan as we were not able to quantify it at the time, namely a review of the Council’s accounting for the new leisure centre and swimming pool (£794)

Our fees are still subject to final determination by Public Sector Audit Appointments.

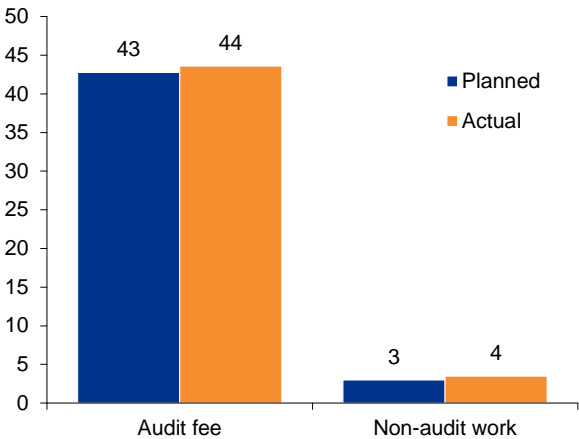
Certification of grants and returns

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 2017.

Other services

During the financial year 2015/16 we undertook a review of the Authority’s Capital Receipts Return for 2014/15 made to the Department of Communities and Local Government. We charged a fee of £3,500 for this, as reported in our 2014/15 Annual Report on Grants and Returns Work. We have considered the ethical standards and given the nature of the work and the level of fee we do not consider that there is a threat to our independence.

External audit fees 2015/16 (£'000)





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