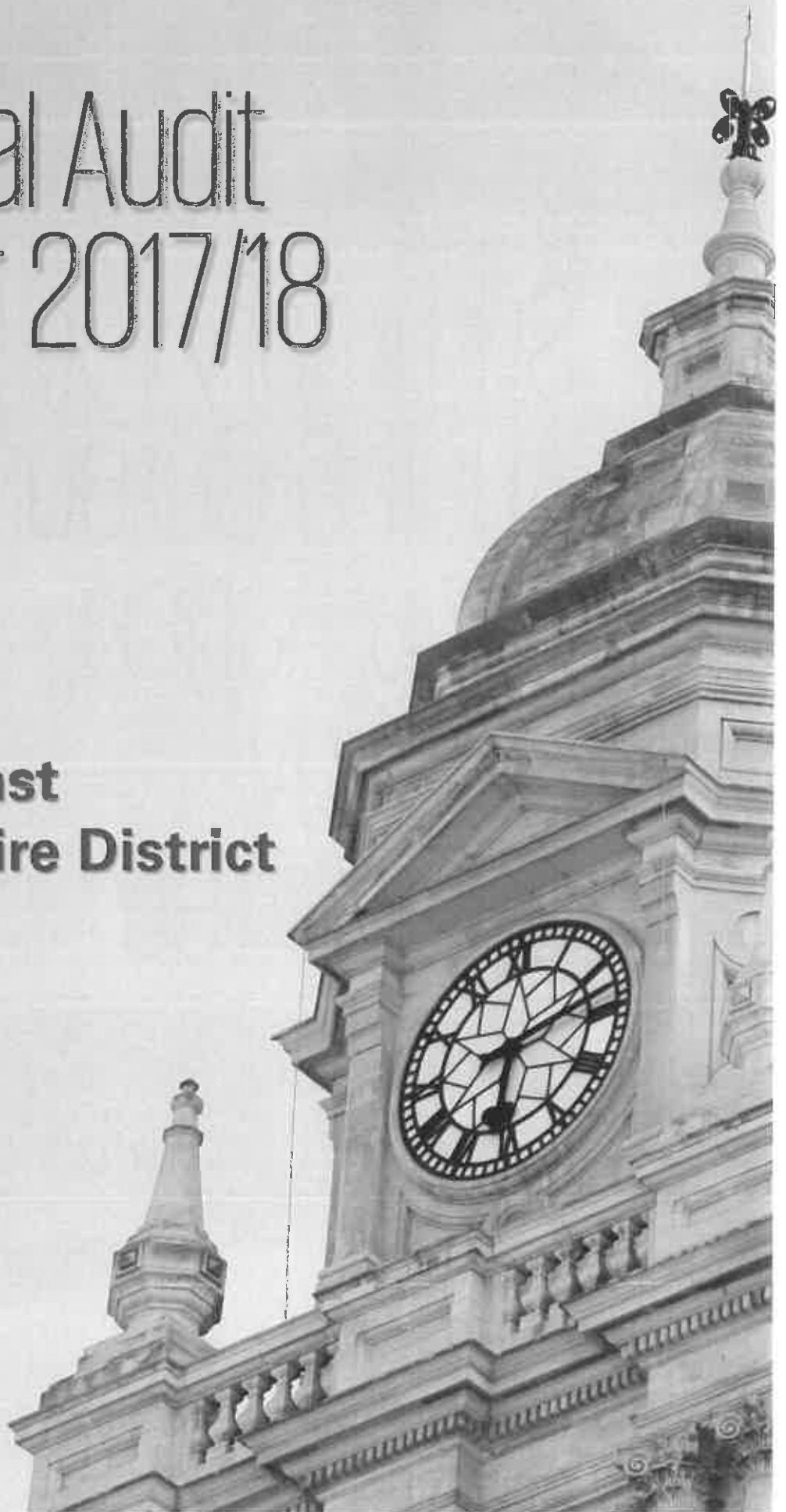




Annual Audit Letter 2017/18

**North East
Derbyshire District
Council**





Section one

Summary for Audit & Corporate Governance Scrutiny Committee

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Summary for Audit & Corporate Governance Scrutiny Committee

This Annual Audit Letter summarises the outcome from our audit work at North East Derbyshire 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 key 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 & Corporate Governance 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 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and Group (which includes Rykneld Homes) and of the 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. We set materiality at £0.85 million for the Authority which is around 1.35 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level.

We report to the Audit & Corporate Governance 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 £0.042 million.

We have identified no audit adjustments.

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 to answer. 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority reviews the value of assets each year end through a desktop impairment review and every fifth year performs a full revaluation. There is a risk that the fair value is different at the year end.
- **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.

We did not identify any evidence of material misstatement as a result of our audit work on these significant risk areas.

Section one:

Summary for Audit & Corporate Governance 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 31 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 looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working 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.

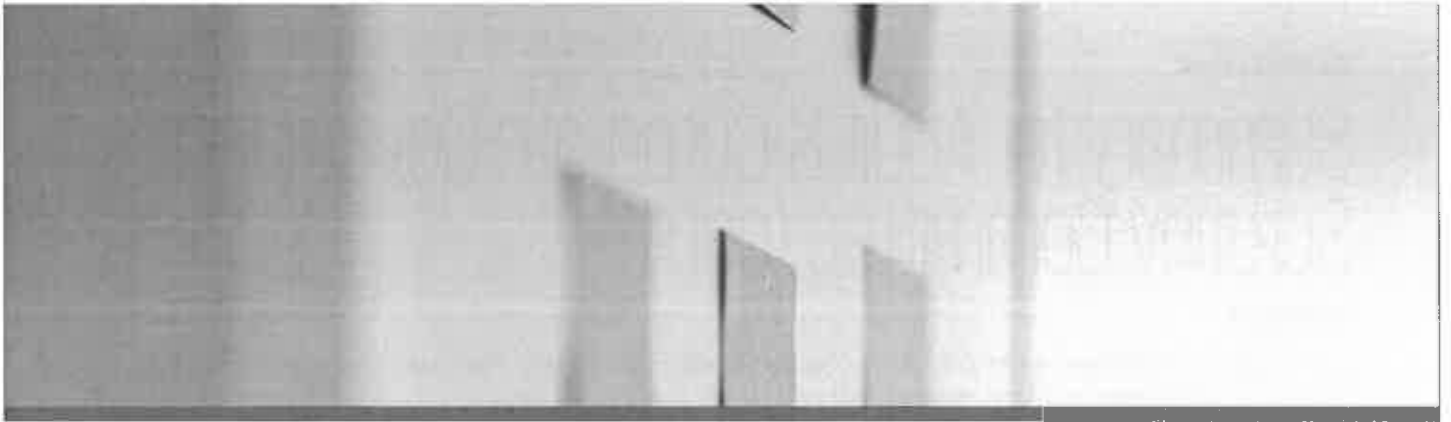
Our work identified the following significant matters:

- **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.



Appendices



Appendix 2:

Audit fees

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

External audit

Our final PSAA scale fee for the 2017/18 audit of North East Derbyshire District Council is £56,507 and we have agreed with the S151 officer an additional fee for two additional pieces of code work around Directors Departure and Northwood Set-up at £1,160 and £610 respectively. These are subject to PSAA approval.

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 planned fee for this work is £9,427 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

We charged £3,000 for audit related assurance services; Return and Pooling of Housing Capital Receipts Return

All fees quoted are exclusive of VAT.



The key contacts in relation to our audit are:

Tony Crawley
Director
T: +44 (0)116 256 6067
E: Tony.Crawley@kpmg.co.uk

Katie Scott
Manager
T: +44 (0)121 232 3632
E: Katie.Scott@kpmg.co.uk

kpmg.com/uk



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 audit bodies, which is available on Public Sector Audit Appointments' website (www.psa.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 codes 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 Sykes, by email to Andrew.Sykes@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSA's complaints procedure by emailing general.enquiries@psa.gov.uk or by telephoning 020 7672 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London SW1P 3AF.

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