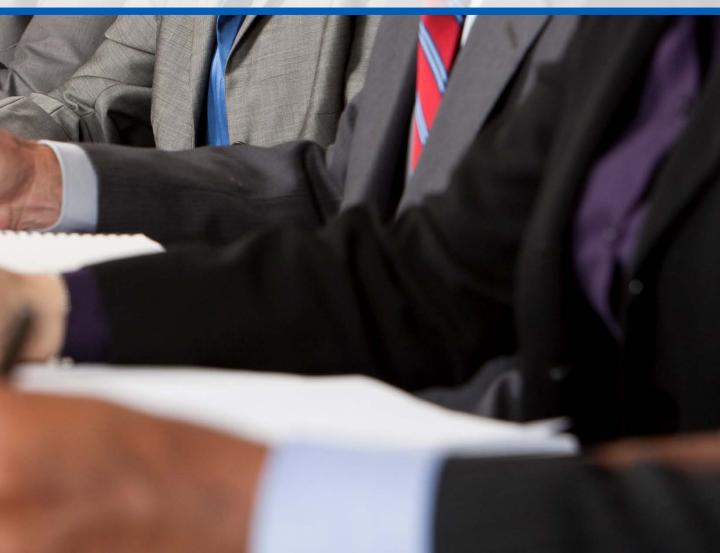




**Section one** 

# Summary for Governance and Ethics Committee



#### **Section one:**

# Summary for Governance and Ethics Committee

This Annual Audit Letter summarises the outcome from our audit work at West Berkshire 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.

#### **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 of its 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. Materiality for the Authority's accounts was set at £3.6 million which equates to around 1.1 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. We report to the Governance and Ethics 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 £180,000.

We identified one significant adjustment. This related to various disclosures of capital items mainly within the Comprehensive Income and Expenditure Statement. Although the amendments increased income by £4 million, the change to net operating expenditure was only £11,000. There were also only small impacts on the Authority's 'net worth' (£144,000 increase); General Fund balance (£77,000 increase); and capital receipts reserve (£144,000 increase).

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, including controls testing and substantive procedures over journal entries and accounting estimates. We did not identify any specific additional risks of management override relating to this audit; and
- Pension Liabilities we reviewed the controls that the Authority has in place over the information sent to the Scheme Actuary, including the Authority's process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of Barnett Waddingham. We reviewed the appropriateness of the key assumptions included within the valuation and compared them to expected ranges. We also reviewed the methodology applied in the valuation by Barnett Waddingham. In addition, we reviewed the overall Actuarial Valuation and considered the disclosure implications in the financial statements. In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As a result of this work we had no issues arising, relating to the pension assets and liabilities movements and year end balances as disclosed in the financial statements.

#### **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 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.



#### **Section one:**

# Summary for Governance and Ethics 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 issues.

#### 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 matter:

— Financial Resilience – The Authority has continued to face reductions in its core grant funding leading to greater reliance on funding from Council Tax and from local business rate generation. 2017/18 saw a 61% cut in Revenue Support Grant for the Authority from the previous year. The reduction in core grant funding will continue until 2020/21 when it will have reduced to just 1.5% of available funding. The Authority has also faced significant demand-led pressure on its social care budgets and needed to make additional budget investment in 2017/18 of nearly £4 million. The final revenue outturn for 2017/18 was an over spend of £276,000 (which represents 0.23% of the net revenue budget), following actions taken by the Authority.

The Authority's balanced budget for 2018/19 includes £5.2 million of savings and income generation proposals, including reductions in street cleansing, introducing a charge for garden waste collection, further transformation in the way adult social care is provided, demand and cost management in social care, and investment in commercial property to generate new income streams.

For 2019/20 and 2020/21, the assumption in the Medium Term Financial Strategy is that Council Tax increases will be at 2% per year, leaving savings and income requirements of £5.22 million and £3.10 million respectively. For 2019/20, £2.80 million has already been identified and in 2020/21, £240,000 has been identified. The key financial strategy to close the funding gap over the medium term will focus on innovation around service transformation, strategic transformation and commercialisation. The Corporate Programme is driving this change and contains a number of projects that aim to support the Authority's financial strategy.

Consequently, although the Authority's financial position remains challenging, there is a balanced budget for 2018/19 and plans are being made to deal with the gap identified (£5.28 million remains to be found in 2019/20 and 2020/21 from the original £23 million gap). The Authority plans to continue capital investment to ensure that core assets are maintained and protected. Officers have reviewed reserves to ensure they are sufficient for the Authority to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation.

Given the Authority's track record and that there is time (albeit limited) to develop savings plans for 2019/21 we do not consider that there is any adverse impact on the VFM conclusion that we need to identify in the auditor's report for year ended 31 March 2018.



#### **Section one:**

# Summary for Governance and Ethics Committee (cont.)

#### **High priority recommendations**

We have not raised any recommendations as a result of our 2017/18 work.

#### **Certificate**

We issued our certificate on 31 July 2018. The certificate confirms that we have concluded the audit for 2017/18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

#### **Audit fee**

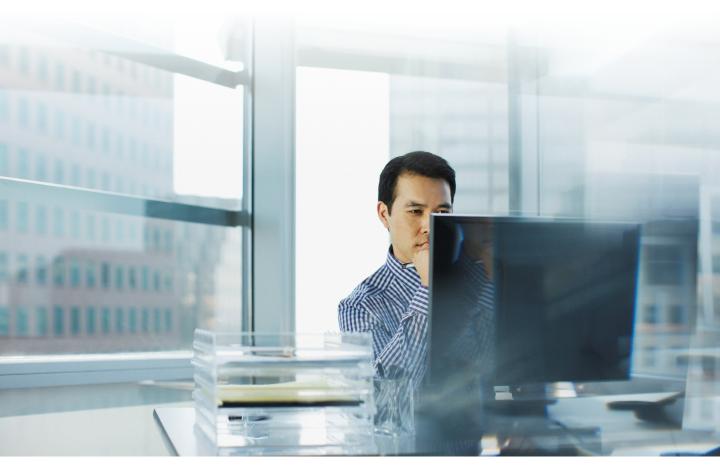
Our fee for 2017/18 was £96,653, excluding VAT (2017: £96,653). Further detail is contained in Appendix 2.

#### **Exercising of audit powers**

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.



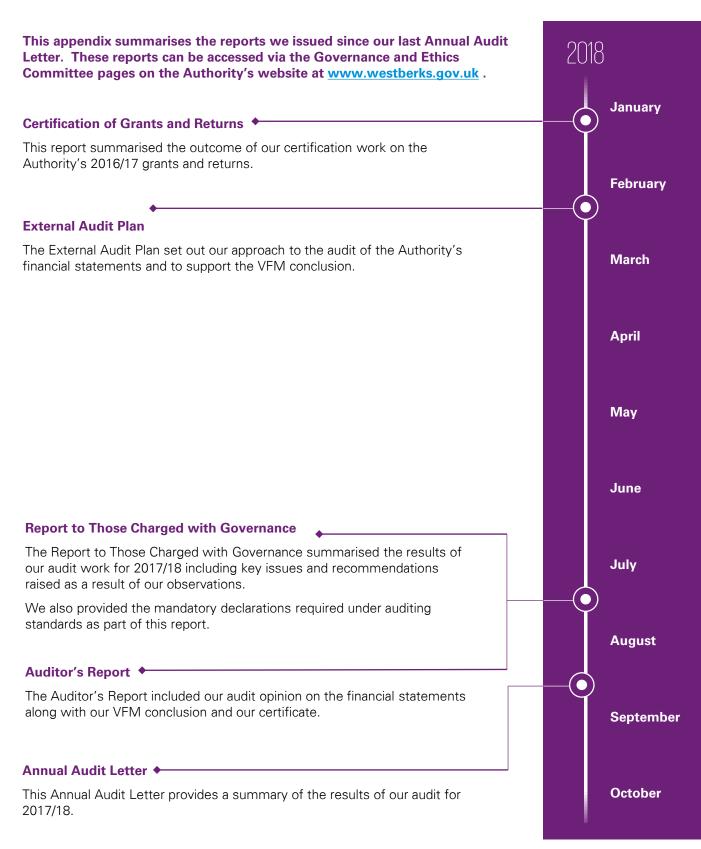


# Appendices



#### Appendix 1:

# Summary of reports issued





#### Appendix 2:

# Audit fees

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

#### **External audit**

Our final fee for the 2017/18 audit of the Authority was £96,653, which is in line with the planned fee.

#### **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 £10,560 and the final fee will be confirmed through our reporting on the outcome of that work, expected to be in January 2019.

We expect to charge £3,300 for additional audit-related services for the certification of the Teachers' Pensions return, which is outside of Public Sector Audit Appointment's certification regime.

#### Other services

We did not charge any additional fees for other services.

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, 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 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, by email to 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.

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