



Annual Audit Letter 2015/16

Stroud District 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 Darren Gilbert, 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 Stroud District 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	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 22 September 2016. 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.</p> <p>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.</p>
VFM risk areas	<p>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 the Authority put in place to mitigate these risks.</p> <p>We identified the following VFM risks in our External audit plan</p> <ul style="list-style-type: none"> — Contract procurement; and — Achievement of the savings plan. <p>We performed detailed testing around contract procurement including reviewing internal audit's work and sample testing new contract arrangements. We reviewed the Authority's medium term financial plans, including considering process for developing and reviewing the plans. We concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, including both these risks.</p> <p>Our work on contract procurement was of particular focus as we issued a qualified VFM conclusion in 2014/15, as a result of the Council not following its own procurement policies by failing to operate an appropriate procurement exercise and by making inappropriate variations to existing contracts. Based on the work we performed this year, although we still identified some issues in relation to procurement exercises that we sample tested, these were less significant in nature and therefore we considered that sufficient improvements have been made for us to issue an unqualified VFM conclusion this year. However, this should remain an area of focus for the Authority to ensure that planned improvements are delivered and embedded.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 22 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.</p>
Financial statements audit	<p>Our financial statements audit identified a total of four adjust audit adjustments with a total value of £2.7 million. There was no overall impact on the general fund or HRA account from these adjustments, with a £1.1m decrease the Authority's overall net assets position at year-end.</p> <p>The Authority has good processes in place for the production of the accounts with mostly good quality supporting working papers, and officers mostly dealt efficiently with audit queries, although we had a few minor delays in some areas reliant on these key officers. We will discuss the overall audit process in a debrief with officers with a view to further improving process and working towards faster closer deadlines in 2017/18.</p>

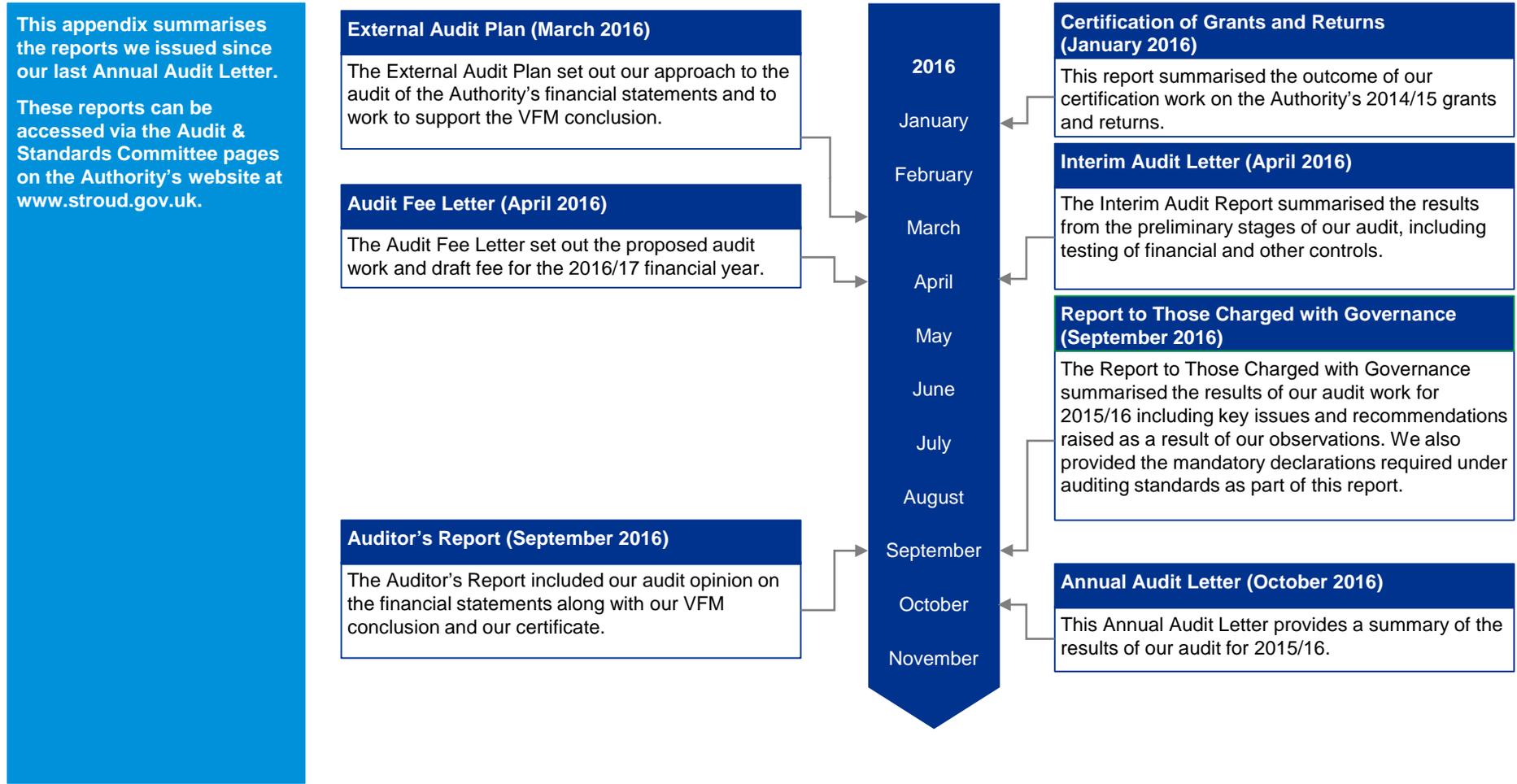
Section one

Headlines (cont)

We have issued our certificate to confirm the completion of our audit responsibilities for the 2015/16 audit year.

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.
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 22 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 £55,797, excluding VAT, which includes an additional fee of £1,911 relating to work performed over the procurement VFM risk. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued



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 fee for the 2015/16 audit was £53,886. This compares to a planned fee of £51,975. The reason for this variance is an increased fee for the audit of the financial statements, reflecting additional costs of £1,911 incurred in performing work around the procurement arrangements of the Council in relation to our VFM opinion over and above our planned fee which assumes no significant VFM issues.

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

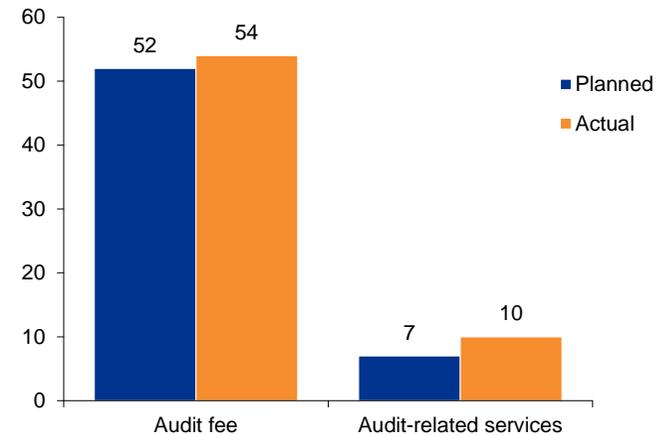
Certification of grants and returns

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 early 2017.

Other services

We charged £9,960 for additional audit-related services for the certification of the Pooling of Housing Capital Receipts return and two HCA compliance audits, which are outside of Public Sector Audit Appointments' certification regime. This figure includes £3,460 of additional fees in relation to the 2014/15 Pooling return, which was certified in September 2016 following a number of amendments and additional work required over these amendments. The work in relation to the HCA compliance is still to be concluded although we do not anticipate any variation on the planned fee.

External audit fees 2015/16 (£'000)





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