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Annual Audit Letter 2013/14

East Riding of Yorkshire Council and
East Riding Pension Fund

23 October 2014



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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 has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.audit-commission.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 proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Prentice the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

This report summarises the key findings from our 2013/14 audit of East Riding of Yorkshire Council and East Riding Pension Fund (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 2013/14 financial statements and the 2013/14 VFM conclusion.

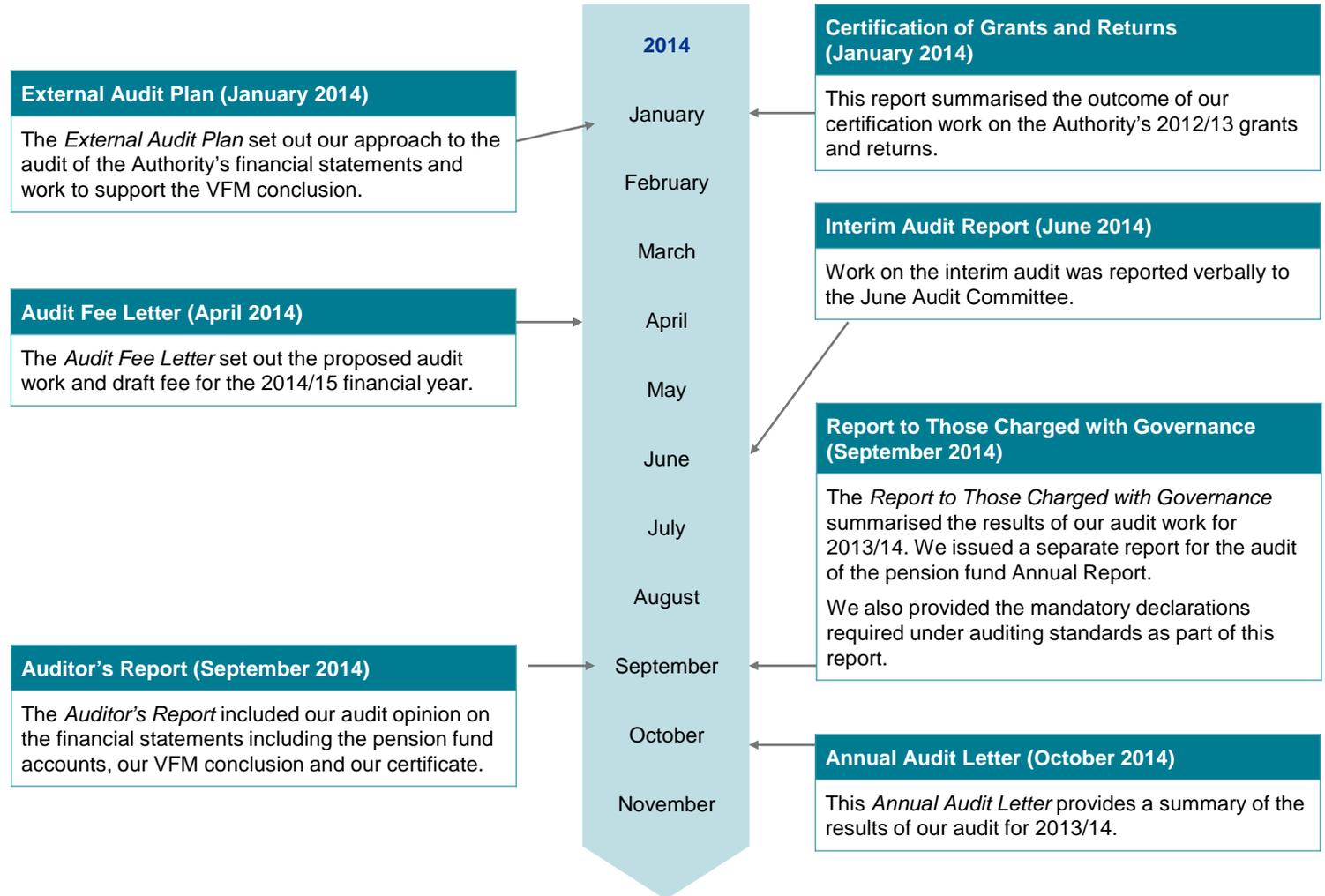
VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 25th September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p> <p>The Authority has continued to make very good progress in achieving the savings needed to meet the reductions in government funding, although it is becoming increasingly difficult to do so.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 25th September 2014. 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. (The financial statements also include those of the pension fund.)</p>
Financial statements audit	<p>Once again we are pleased to report that our audit of your financial statement did not identify any material adjustments and we did not make any recommendations.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

All the issues in this letter have been previously reported.

Pension fund audit	There were no significant issues arising from our audit of the pension fund.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
Certificate	We issued our certificate on 25 September 2014. The certificate confirms that we have concluded the audit for 2013/14 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	Our fee for 2013/14 was £183,594 for the Authority and £28,491 for the East Riding Pension Fund. Both exclude VAT. For information the Authority's fees are subject to final determination by the Audit Commission and are likely to increase by £1,070. Further details are contained in Appendix 2.

Appendix 1: Summary of reports issued

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



This appendix provides information on our fees for 2013/14. One matter has still to be resolved regarding the final fee for 2013/14.

Further matters regarding 2014/15 are being reported now for transparency.

To ensure openness between KPMG and the Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

Our planned fee for the 2013/14 audit of the Authority was £183,594 and East Riding Pension Fund £28,491 (both excluding VAT) as set by the Audit Commission. We were required to undertake some additional procedures on NNDR figures which were previously undertaken during certification of the LA01 NNDR return but the latter was not required in 2013/14 (the grants fee is accordingly reduced this year). The suggested additional fee for Unitary Authorities has provisionally been set at £1,070 but this is subject to Audit Commission approval.

The Audit Commission is consulting with relevant local authorities on whether to include an extra fee for this work within its scale fees for 2014/15 and 2015/16.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue by January 2015.

Other services

Following requests from the Authority, we also charged £3,000 for the recovery of overseas Pension Fund investment interest; £2,951 for general Leisure taxation advice; £2,400 for the certification of your Affordable Homes arrangements as required by the Homes and Communities Agency and £950 for employment tax advice relating to the provision of school meals and advisory fuel rates.

Contingent audit fees

In 2011, we entered into a contingent fee arrangement with the Council prior to being appointed as your external auditor. This arrangement relates to VAT advice and potential VAT recovery on Leisure Services. Recent changes to auditor independence rules (APB Ethical Standards 4 and 5) no longer allow appointed auditors to undertake audit engagements on a contingent fee basis where the subject matter relates to uncertain or un-established tax law. As a result we are currently arranging a new contract with the Council on a fixed fee basis. The fee for this work will therefore be £30,000 for services undertaken to date, with a further £12,500 to cover the future costs of submitting an updated claim for the Council and appeal. Both payments should be made in 2014/15 but are being reported now for transparency. Audit Commission approval will again be sought if required.

This work was not related to our responsibilities under the Audit Commission's *Code of Audit Practice*.



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