



Annual Audit Letter 2015/16

East Riding of Yorkshire 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 John Prentice, 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 East Riding of Yorkshire Council in relation to their 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.

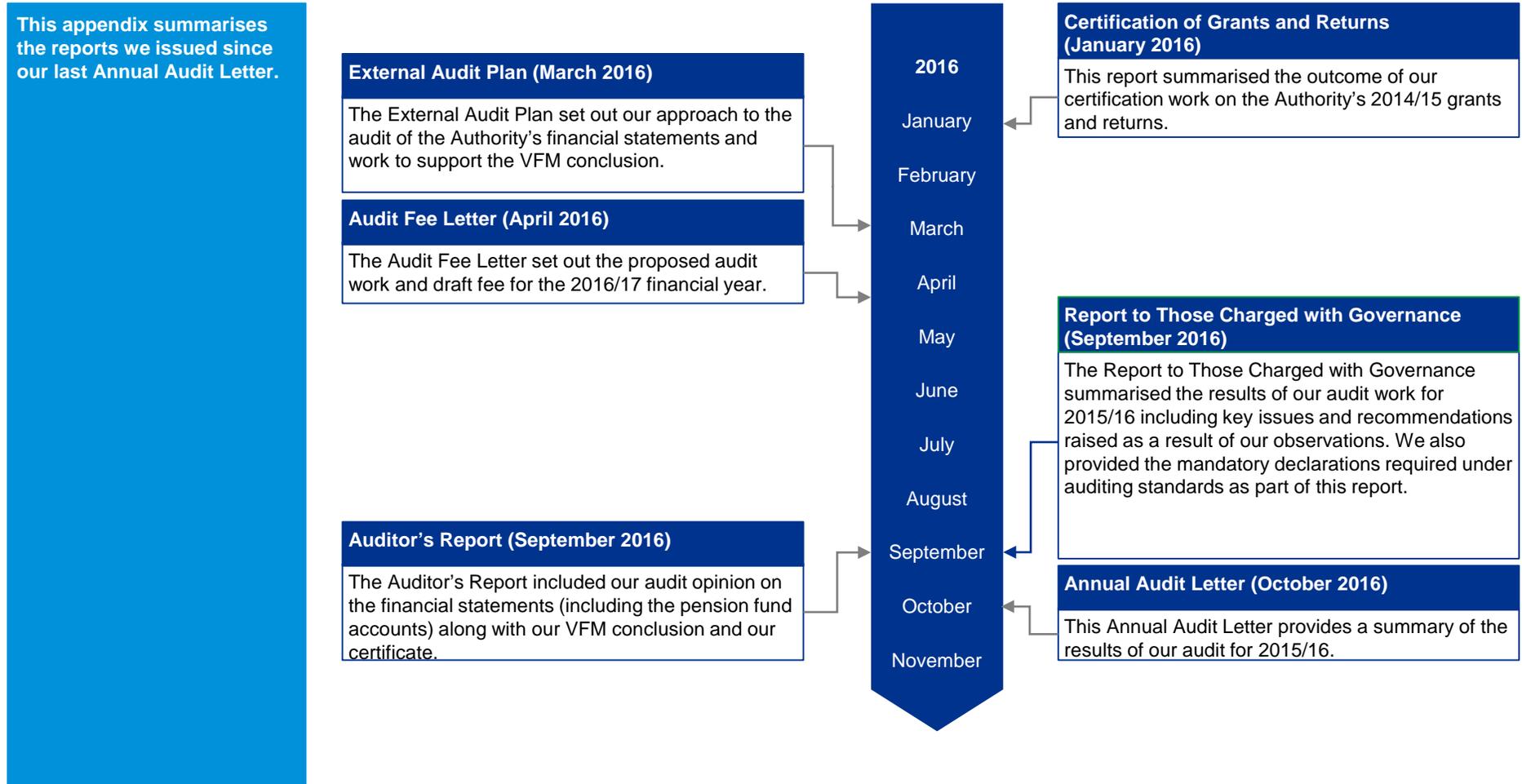
VFM conclusion	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 28 September 2016. This means we are satisfied that during the year the Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.
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 you have put in place to mitigate these risks.</p> <p>The Council is a confident well managed organisation with a good past record of sound financial management. Processes and plans are in place to manage the challenges faced by the Council over the medium term. Financial health is underpinned by substantial earmarked reserves that have been properly constituted and managed, although further significant savings will still be required to achieve annual budgets.</p> <p>Partnership working within local government and with the health sector remains an area of focus and challenge. The Council is an active member of 2 LEPs (Humberside and North Yorkshire) and has been proactive in progressing the devolution agenda locally but the Council and its partners have not yet reached a common agreed position. The Council has a positive relationship with health providers and commissioners but the local economy for the provision of social care is fragile due to the pressures of rural communities and the impact of the National Living Wage.</p>
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. The financial statements also include those of the pension fund.
Financial statements audit	<p>We identified no audit adjustments and a small number of presentational adjustments that have been amended in the final version of the financial statements</p> <p>We received complete draft accounts by 30 June 2016 in accordance with the deadline. The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.</p>
Annual Governance Statement	We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.
Pension fund audit	We identified one significant risk around the pension fund accounts: as a result of changes to the Local Government Pension Scheme, pension payments are now calculated on Career Average Earnings and there is a risk that pension payments are calculated incorrectly. Our testing confirmed that the system has collected the appropriate salary information and that this is correctly included in the calculations of pensions payable.

Headlines (cont)



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 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	<p>Our scale fee for 2015/16 was £138,498 for the Authority and £28,491 for the Pension Fund, excluding VAT. An additional fee of £5,000, excluding VAT, for providing assurance to admitted bodies over IAS 19 figures has been approved by Public Sector Audit Appointments Limited and invoiced to the Pension Fund.</p> <p>We have invoiced fees of £11,118 in 2015/16 and a further £10,000 to date in 2016/17 in respect of non-audit services for tax reclaim work. We have invoiced fees of £7,000 in 2015/16 and a further £2,400 to date in 2016/17 in respect of audit-related services for grant claims outside the Public Sector Audit Appointments regime.</p> <p>Further detail is contained in Appendix 2.</p>

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 East Riding of Yorkshire Council was £138,498 which is in line with the planned fee.

Our final fee for the 2015/16 audit of the Pension Fund was £33,491. This compares to a planned fee of £28,491. The reason for this variance is additional work to provide assurance to admitted bodies over IAS 19 figures.

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

We have charged for the following additional audit-related services:

- £2,300 for work to provide assurance on the Authority's Teachers' Pensions return for the year ended 31 March 2015 as required by the Teachers' Pensions Authority invoiced in 2015/16;
- £1,500 for work to provide assurance on the Authority's Pooling of Housing Capital Receipts return for the year ended 31 March 2015 as required by the Department for Communities & Local Government invoiced in 2015/16;

- £3,200 for work to provide assurance on the Authority's Affordable Housing Programme grant return for the year ended 31 March 2015 as required by the Homes and Communities Agency invoiced in 2015/16; and
- £2,400 for work to provide assurance on the Authority's Local Transport Plan Major Projects grant return for the year ended 31 March 2015 as required by the Department for Transport invoiced in 2016/17.

We have charged £11,118 in 2015/16 and a further £10,000 to date in 2016/17 in respect of non-audit services for tax reclaim work. This work was not related to our responsibilities under the Code of Audit Practice.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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