



*cutting through complexity™*

# Annual Audit Letter 2013/14

Northampton Borough Council

October 2014



The contacts at KPMG in connection with this report are:

**Neil Bellamy**

*Partner*

*KPMG LLP (UK)*

Tel: 0116 256 6082

neil.bellamy@kpmg.co.uk

**Yola Geen**

*Manager*

*KPMG LLP (UK)*

Tel: 0116 256 6091

yola.geen@kpmg.co.uk

**Laura Bedford**

*Assistant Manager*

*KPMG LLP (UK)*

Tel: 0116 256 6076

laura.bedford@kpmg.co.uk

**Report sections**

- Headlines

2

**Appendices**

- 1. Summary of reports issued

4

- 2. Audit fees

5

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.auditcommission.gov.uk](http://www.auditcommission.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 Neil Bellamy, 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](mailto: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, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto: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 Northampton Borough Council (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.**

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 19<sup>th</sup> 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>
<b>VFM risk areas</b>	<p>We did not identify any significant risks to our VFM conclusion and considered your VFM arrangements to be adequate.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 19<sup>th</sup> 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.</p>
<b>Financial statements audit</b>	<p>We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of other adjustments, most of which were of a presentational or classification nature. However General Fund earmarked reserves increased by £1,364k and capital grants unapplied increased by £1,165k as a result of these.</p> <p>We discussed with your officers the value at which council dwellings are held on your balance sheet. Formal valuations are obtained for 1 April each year, as required by CLG guidance. However these values are not normally available until late autumn, which is too late for inclusion in the statement of accounts, so the values as at 1 April at the start of the financial year are used. The Council had not considered uplifting the figures to represent the valuation at the end of the year based on available indices. Officers have now agreed to include within the accounts a note about valuation estimation uncertainty, highlighting the possible change in value of these assets.</p> <p>The Authority has good processes in place for the production of the accounts and good supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within planned timescales.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>

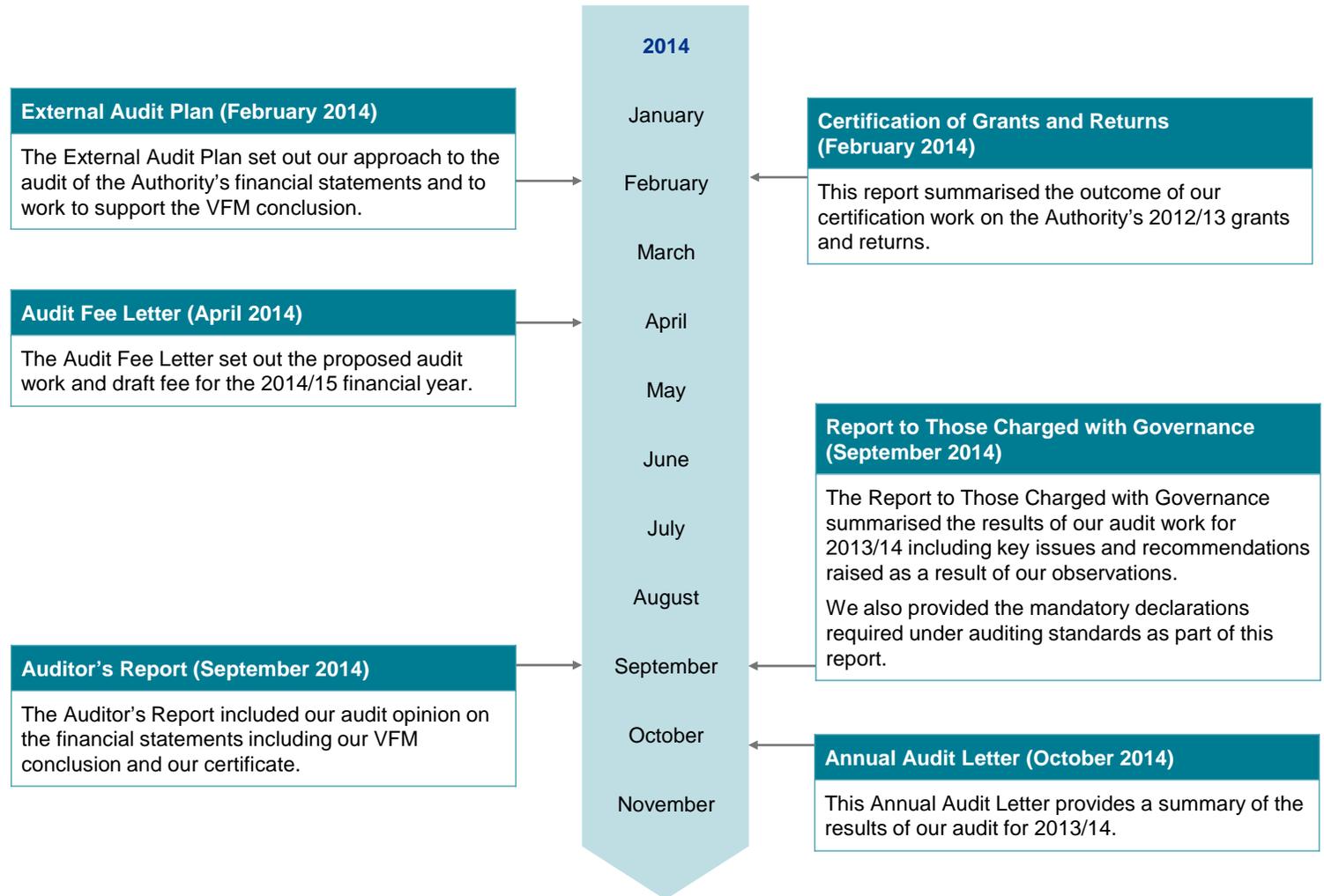
We provide a summary of our key recommendations in Appendix 1.

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

<b>Whole of Government Accounts</b>	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.
<b>Certificate</b>	We have received a formal objection from a local government elector relating to the works being undertaken in Abington Street. Whilst we are satisfied that it has no material impact on the opinion on the statement of accounts or significant impact on our overall 2013/14 VFM conclusion the audit cannot be formally closed and an audit certificate issued until the objection is decided.
<b>Audit fee</b>	Our scale audit fee for 2013/14 was £106,800 excluding VAT. We are currently agreeing an additional fee of £900 relating to national changes in the arrangements for National Non Domestic Rates (NNDR) with the Audit Commission. This is a national issue which applies to all relevant authorities. This increase has been agreed with your Chief Finance Officer. An additional fee will also be agreed to cover the costs of the ongoing objection. Further detail is 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 final fees for 2013/14.

To ensure openness between KPMG and your 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

The planned fee for the 2013/14 audit of the Authority was £106,800. A proposed additional fee of £900 is subject to final confirmation by the Audit Commission. The reason for the variation is:

- To deliver our 2013/14 audit opinion there were two elements of our work that we had previously carried out separately while certifying the Council's yearly NNDR return to the government, and which we were also able to rely on the support our opinion on the accounts. Previously the Council was charged a separate certification fee for this work. In 2013/14, as a result of there being no certification of the NNDR return, we have had to carry out this work as additional procedures to our opinion audit. It is offset by the fact that the Council is no longer charged a certification fee.

In addition to the above we will need to charge an additional fee for work relating to the objection to the accounts. We will discuss the final fee with your Chief Finance Officer once the objection has been determined, and again this fee will be subject to final determination by the Audit Commission.

### 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 in January 2015.

### Other services

We have not carried out or charged for any other services which are not related to our responsibilities under the Audit Commission's *Code of Audit Practice*.



*cutting through complexity™*

© 2014 KPMG LLP, a UK public limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).