



# Annual Audit Letter 2017/18

**Surrey Heath Borough Council**

—

August 2018

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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.psa.co.uk](http://www.psa.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 Neil Hewitson, 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](mailto: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](mailto: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.

## Section one

# Headlines

This Annual Audit Letter summarises the outcome from our audit work at Surrey Heath Borough Council in relation to the 2017/18 audit year, which is the final year that KPMG is the auditor of the Authority.

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 30 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. The financial statements include the consolidated financial statements for Authority's Group, which consists of the Authority itself and Jersey Property Unit Trust.

### 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 £900,000 which equates to around 2% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. We report to the Audit and Standards 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 £45,000 for the Authority.

We identified one audit adjustment which affected the core financial statements, however there was no bottom line impact in relation to this adjustment.

We received a good set of draft financial statements which resulted in minimal presentational changes.

Our audit work was designed to specifically address the following significant risks:

- Management Override of Controls – Our work did not identify any issues in relation to this risk;
- Valuation of land and buildings – Our work did not identify any issues in relation to this risk;
- Valuation of investment properties – Our work did not identify any issues in relation to this risk; and
- Pension Liabilities – Our work did not identify any issues in relation to this risk.

### 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.

## Section one

# Headlines

<b>Whole of Government Accounts</b>	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.
<b>Value for Money conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017/18 on 30 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.</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>
<b>Value for Money risk areas</b>	<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>Our work identified the following significant matter:</p> <ul style="list-style-type: none"> <li>Financial resilience – As part of its 2017/18 budget setting process, the Authority identified the need to make savings of £1m in 2017/18. The budget for 2017/18 was £0.5m less than the budget for 2016/17. The Authority achieved a underspend of £1m against its 2017/18 budget. We did not identify any issues in relation to this significant risk.</li> </ul>
<b>High priority recommendations</b>	We did not raise any high priority recommendations as a result of our 2017/18 work.
<b>Certificate</b>	We issued our certificate on 30 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.
<b>Audit fee</b>	<p>Our fee for 2017/18 was £45,905, excluding VAT (2016/17: £47,926).</p> <p>In addition our fee for the audit of the Housing benefits grant certification is expected to be £11,411, excluding VAT (2016/17: £8,430). We will complete our work in September 2018 in relation to this grant.</p>
<b>Exercising of audit powers</b>	<p>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.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>

## Appendices

# Appendix 1: Summary of reports issued

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

These reports can be accessed via the Audit and Standards Committee pages on the Authority's website at [www.surreyheath.gov.uk](http://www.surreyheath.gov.uk).

### External Audit Plan (February 2018)

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

### Auditor's Report (July 2018)

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion

### Annual Audit Letter (August 2018)

This Annual Audit Letter provides a summary of the results of our audit for 2017/18.

2018

January

February

March

April

May

June

July

August

September

October

November

### Certification of Grants and Returns (January 2018)

This letter summarised the outcome of our certification work on the Authority's 2016-17 grants and returns.

### Report to Those Charged with Governance (July 2018)

The Report to Those Charged with Governance summarised the results of our audit work for 2017/18 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.



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