



# Annual Audit Letter 2016/17

## East Riding of Yorkshire Council

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September 2017

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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 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](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.

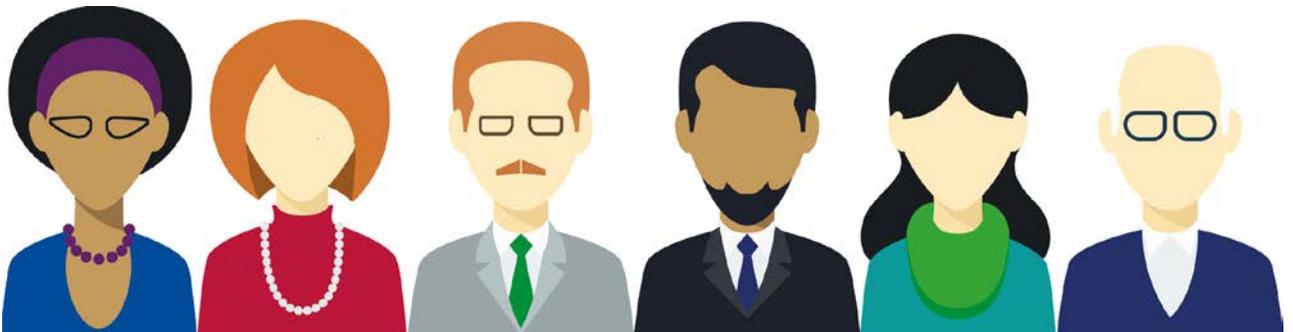
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## Section one

# Summary

This Annual Audit Letter summarises the outcome from our audit work at East Riding of Yorkshire Council in relation to the 2016/17 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 2016/17 on 14 September 2017. 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.

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.

### VFM risk areas

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. We did not identify any areas of residual audit risk needing us to carry out additional work.

Our work identified the following matters:

- Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. The Authority reported an outturn position of £3m surplus in 2016/17 and has set a balanced budget for 2017/18. but from 2018/19, the Authority has identified funding gaps. The Authority continues to make progress towards reducing these gaps and the financial health of the Authority is underpinned by substantial earmarked reserves. However further significant savings will still be required to achieve annual budgets.
- As reported in 2015/16, partnership working within local government and with the health sector remains an area of focus and challenge. The Authority remains committed to and actively engaged with both the Devolution agenda, and the development and implementation of the Sustainability and Transformation Plan. However national and regional factors mean that limited progress has been made in relation to both. The local economy for the provision of social care remains fragile due to the pressures of rural communities, the impact of Brexit and of the National Living Wage.

### Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 14 September 2017. 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.



## Section one

### Financial statements audit

We identified no audit misstatements in the Authority's financial statements.

The Authority has recognised the additional pressures which the earlier closedown in 2017/18 will bring and has strengthened its financial reporting by finalising this year's accounts in a shorter timescale.

### 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.

### Pension fund audit

There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.

The Fund increased in value by £820m in year, consisting of investment returns of £795m and net contributions of £25m. This represents a return of 21.1% against a benchmark of 20.1%. The key challenge for the Fund in 2017/18 is the move to pooling.

### Whole of Government Accounts (if applicable)

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported to the National Audit Office that the Authority's pack was consistent with the audited financial statements.

### Certificate

We issued our certificate on 14 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

### Audit fee

Our scale fee for 2016/17 was £138,498 for the Authority and £28,491 for the Pension Fund, excluding VAT. An additional fee of £4,993 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. 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.

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





**Annual Audit Letter**

This Annual Audit Letter provides a summary of the results of our audit for 2016/17.

May

Jun

Jul

Aug

Sep

Oct

Nov

**Report to Those Charged with Governance**

The Report to Those Charged with Governance summarised the results of our audit work for 2016/17 including key issues arising as a result of our observations.

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

**Auditor's Report**

The Auditor's Report included our audit opinion on the financial statements (including the pension fund accounts) along with our VFM conclusion and our certificate.

## Appendix 2

# Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

### External audit

Our final fee for the 2016/17 audit of the Authority was £138,498 which is in line with the planned fee.

Our final fee for the 2016/17 audit of the Pension Fund was £33,484. This compares to a planned fee of £28,491. The reason for this variance is the cost of providing assurance to admitted bodies over IAS 19 figures.

Our fee variation has been approved by Public Sector Audit Appointments and has been invoiced to the Pension Fund.

### 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 2018. The indicative fee for this work is £11,303.

### Other services

During 2016/17 we charged £7,800 for additional audit-related services for the certification of the Teachers' Pension return, Pooling of Housing Capital Receipts return, Affordable Housing Programme grant return and Local Transport Plan Major Projects grant return which are outside the Public Sector Audit Appointment's certification regime.

We also charged £26,400 for tax advice. This work was not related to our responsibilities under the Code of Audit Practice. This is a continuation of work from previous year on recovery of tax and has been approved by the PSAA.

External audit fees 2016/17  
(£'000)



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