



Annual Audit Letter 2016/17

Stroud District Council

kpmg.com/uk

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.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 Darren Gilbert, 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.

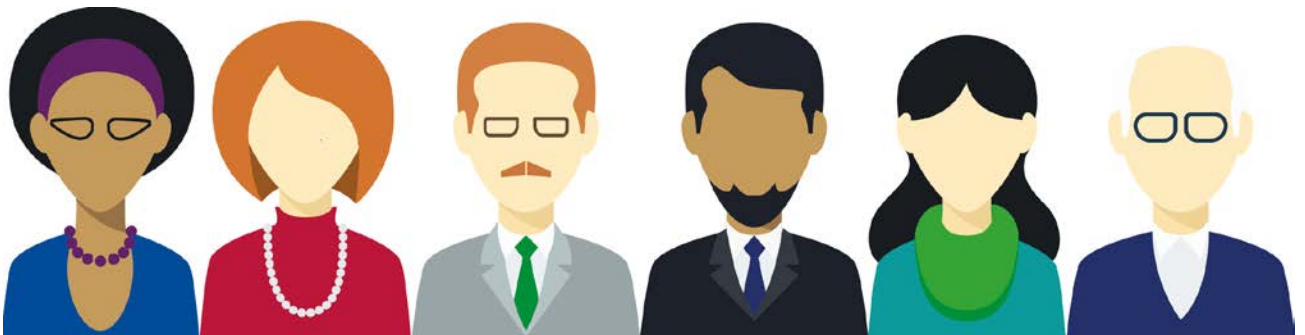
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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Stroud District 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 12 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.

Our work identified the following significant matters:

- **Achievement of the savings plan** - Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. The Medium Term Financial Plan (MTFP) details the increasingly difficult financial challenges faced each year, with the current MTFP forecasting that the general fund balances are likely to be fully diminished by 2021. However, this is intended as a worst case scenario budget and the Council is actively working on further savings plans to reduce the required reserves usage. Based on our review of the plans in place and understanding of the actions being taken, there are no factors impacting adversely on our VFM conclusion.
- **Procurement** - In 2016/17, we reviewed the work of internal audit over procurement and considered if any significant new contracts required additional work. There were no significant issues resulting from internal audit work during the year, and no major contracts let during the year. In addition, we have reviewed the procurement action plan and confirmed that it is on target. On this basis, there are no factors impacting adversely on our VFM conclusion.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 12 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.



Section one

Financial statements audit

Our audit approach included two audit significant risk area related to the pensions triennial valuation and the implementation of the new financial system, and two areas of focus (the new Expenditure and Funding Analysis (EFA) disclosure statement and fair value of property). No significant issues were identified in this testing, other than one adjusted audit difference as below.

We identified one audit adjustment relating to the valuation of housing stock, which was overstated by £7.7 million as a result of a change in the index being applied to revalue this stock subsequent to the draft accounts being prepared. This was adjusted by management in the final financial statements.

The Authority finalised the accounts in a shorter timescale than in 2016, which puts the Authority in a good position to meet the earlier deadline next year. Nonetheless, there is scope to improve the process further by putting in place additional reviews of working papers and sharing audit responsibility to make sure the 2017/18 audit deadline of 31 July is achieved. The Authority has recognised the additional pressures which the earlier closedown will bring, and we are making arrangements to debrief the 2016/17 and commence planning of the 2017/18 closedown process together.

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.

Whole of Government Accounts

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.

High priority recommendations

No high priority recommendations have been raised as a result of our 2016/17 audit work. One medium priority recommendation from the previous year has not yet been implemented relating to the use of purchase orders, which is awaiting the upgrade of the financial system currently planned for mid-2018.

We will formally follow up this recommendation as part of our 2017/18 work.

Certificate

We issued our certificate on 12 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

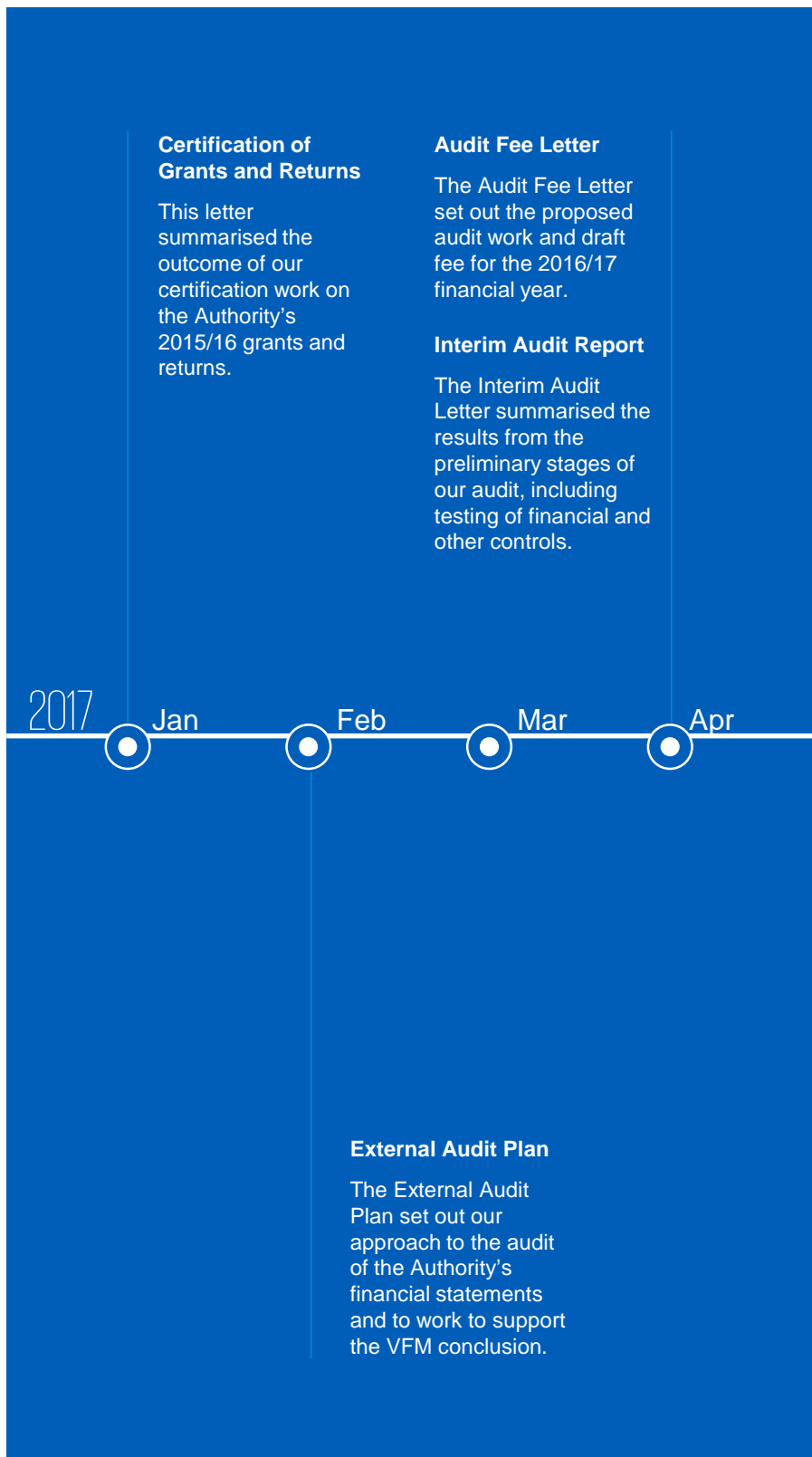
Our fee for 2016/17 was £51,975, excluding VAT, which is the same as prior year. Further detail is contained in Appendix 2.

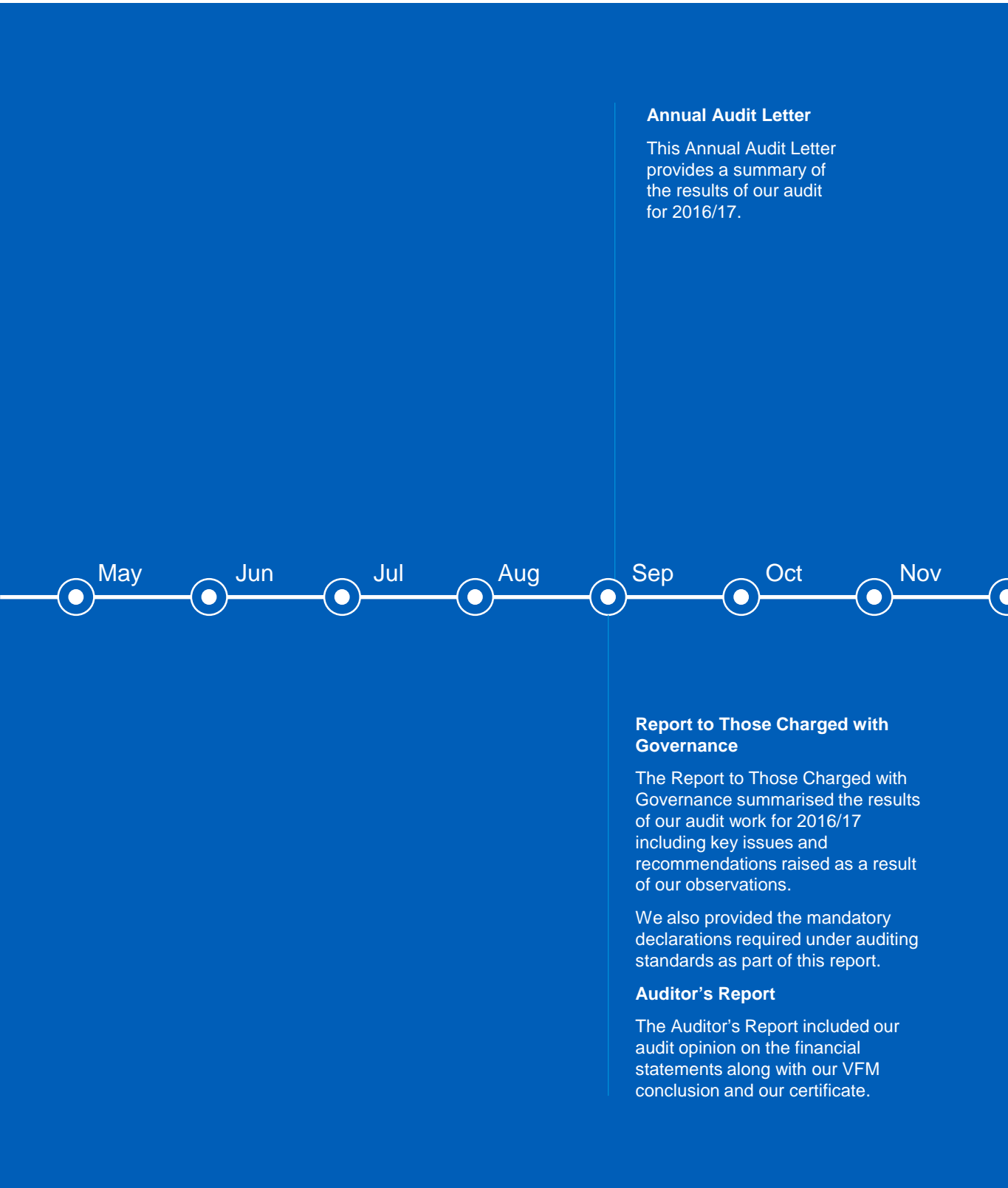
Appendix 1

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.stroud.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 and recommendations raised 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 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 was £51,975, which is in line with the planned fee.

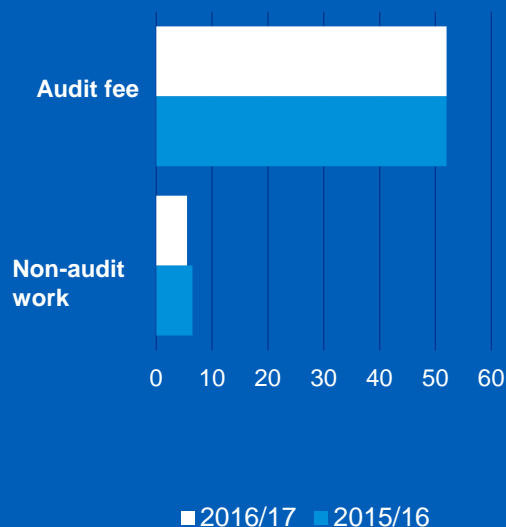
Certification of grants and returns

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.

Other services

We charged £5,500 for two additional audit-related services for Agreed upon procedures over HCA Social Housing Assistance and Certification of Pooling of Housing Capital Receipts Return, which are outside of Public Sector Audit Appointment's certification regime.

External audit fees 2016/17 (£'000)



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