



*cutting through complexity™*

# Annual Audit Letter 2014/15

Northampton Borough Council

October 2015

The contacts at KPMG in connection with this report are:

**Andrew Cardoza**

Director  
KPMG LLP (UK)

Tel: 07711 869957  
[andrew.cardoza@kpmg.co.uk](mailto:andrew.cardoza@kpmg.co.uk)

**Daniel Hayward**

Manager  
KPMG LLP (UK)

Tel: 07776 101412  
[daniel.hayward@kpmg.co.uk](mailto:daniel.hayward@kpmg.co.uk)

**Laura Bedford**

Assistant Manager  
KPMG LLP (UK)

Tel: 07920 502249  
[laura.bedford@kpmg.co.uk](mailto:laura.bedford@kpmg.co.uk)

## Report sections

- Headlines

## Appendices

1. Summary of reports issued
2. Audit fees

## Page

2

4

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 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 Andrew Cardoza, 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, Trevor Rees (on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@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.

**This report summarises the key findings from our 2014/15 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 2014/15 financial statements and the 2014/15 VFM conclusion.**

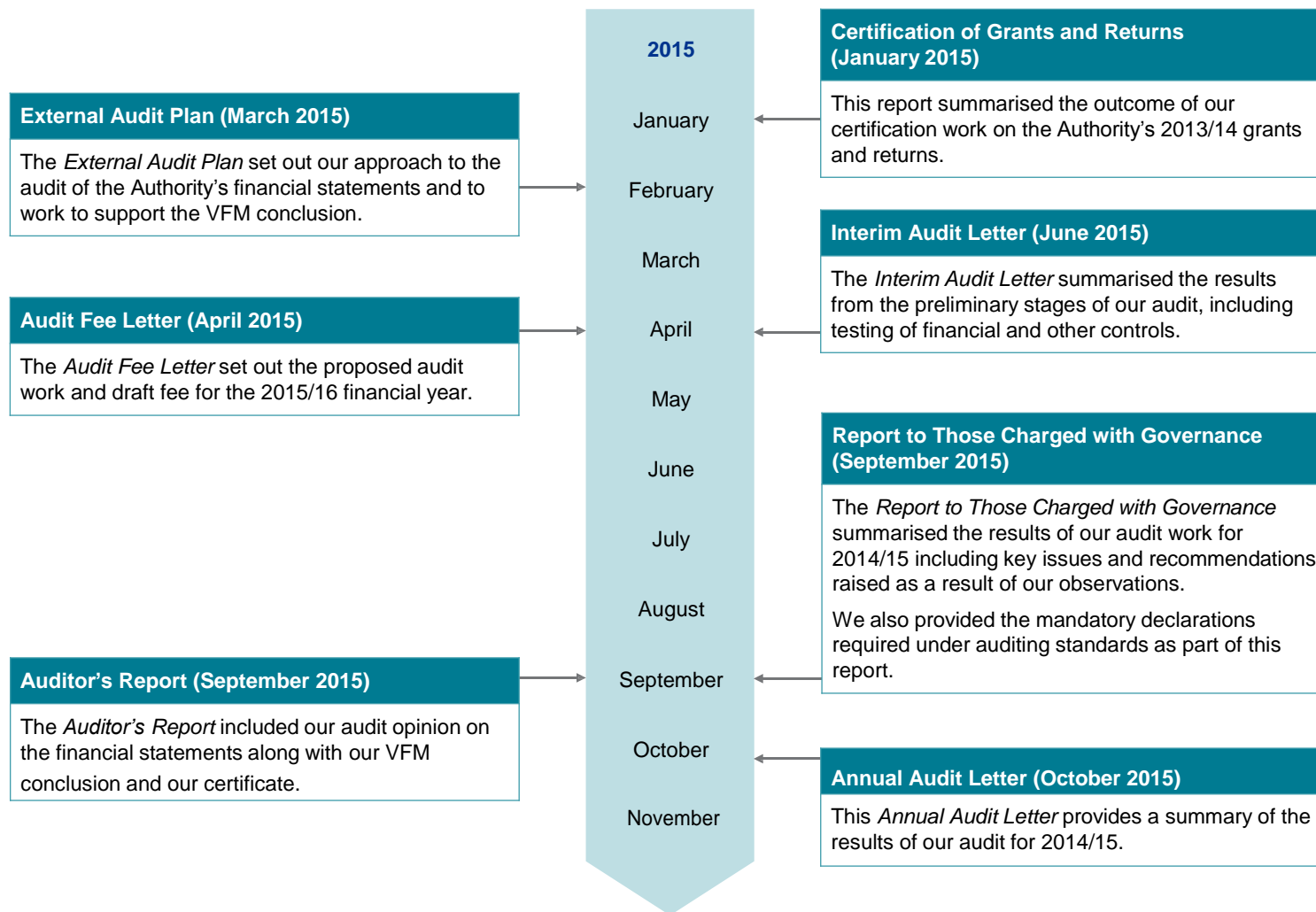
<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 18 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
<b>VFM 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>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on the Authority's financial statements on 18 September 2015. 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 Authority's Group, which consists of the Authority itself and Northampton Partnership Homes.</p>
<b>Financial statements audit</b>	<p>Our audit identified a total of two audit adjustments, one of which the Authority reflected in its financial statements. There was one unadjusted audit difference which the Authority will correct in 2015/16.</p> <p>The audit adjustment made was in relation to the under accrual of expenditure within the Group Accounts. The original error was identified in the audit of the Northampton Partnership Homes (NPH) Accounts and occurred as a result of NPH accounting for creditor accrual balances in the incorrect financial year. The total value of the error was £557k (£540k relating to capital transactions and £17k relating to revenue transactions). The adjustment made to the Accounts of NPH feeds directly into the Group Accounts and as such the Authority made a corresponding adjustment in their Group Accounts. There was no net impact from this adjustment on the main financial statements.</p> <p>The adjusted error identified also impacted upon the Authority's single entity accounts however due to the complexity of the amendments required, the Authority did not adjust their single entity financial statements in 2014/15 for this omission. The total value of the omission is £557k. The impact of the unadjusted error on the financial statements is set out in our ISA 260 report.</p> <p>We received a complete set of draft accounts on 25 June 2015 and were able to provide our audit opinion on 18 September 2015, ahead of the statutory deadline.</p> <p>We noted that the Authority has good processes in place for the production of the accounts and good quality supporting working papers. The Authority effectively dealt with the challenge of producing Group Accounts for the first time and the additional work required to complete the audit of these accounts.</p> <p>We identified that officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

Annual Governance Statement	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
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	We raised no high priority recommendations as a result of the 2014/15 audit work. Our lower priority recommendations are set out in the reports we have listed at appendix 1.
Certificate	We issued our certificate on 18 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2014/15 was £107,700, excluding VAT. 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 the 2014/15 audit.**

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

### **External audit**

Our final fee for the 2014/15 audit of Northampton Borough Council was £107,700 which is in line with the planned fee.

In addition to the above, we have charged an additional fee of £22,056 for the work relating to the objection to the accounts. This fee has been subjected to final determination by the Public Sector Audit Appointments.

### **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 2016.

### **Other services**

We have undertaken additional audit-related services in relation to the certification of the pooling of capital receipts grant return which is outside of Public Sector Audit Appointments' certification regime. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

### **Disclosure of action concerning tax engagement**

In January 2012 the Authority engaged KPMG to provide services to assist supporting you in preparing and submitting to HMRC a retrospective four year claim for overpaid output VAT on sports and leisure services provided by the Authority. This included submitting a notice of appeal to the VAT and Duties Tribunal to be stood behind another case pending litigation on this issue.

We originally agreed to perform this work for the Authority on a contingent fee basis, i.e. our fee would not have become due until the VAT repayment was received from HMRC by the Authority. Subsequently, KPMG LLP was appointed as auditor of the Authority for the 2012/13 year of account and subsequent financial years.

APB Ethical Standard Number 5 now provides that an audit firm cannot provide services on a wholly or partly contingent basis where the outcome of those services is dependent upon the proposed application of tax law which is uncertain or has not been established. Action was therefore required to ensure compliance with the ethical standards. We have therefore proposed that a revised fixed fee of £20,000 is charged and the success fee element of our remuneration is removed. PSAA is fully aware of this position and in line with its usual rules on the acceptance of non-audit work we will be seeking its approval for this fee.



*cutting through complexity™*

© 2015 KPMG LLP, a UK public limited liability partnership 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).