

**North Yorkshire County Council**

**Pension Board**

**12 October 2017**

**External Audit Report**

**1.0 Purpose of the Report**

- 1.1 To consider the External Auditor's Interim Report on its work to date in relation to the audit of the Pension Fund's 2016/17 Financial Statements.

**2.0 Background**

- 2.1 The External Auditors undertake an audit of the Pension Fund's financial statements annually. The audit of the 2016/17 financial statements was undertaken by KPMG. The format of the external audit is to carry out an interim audit at year end and then return following the production of a draft Statement of Accounts to carry out a final audit.

**3.0 Recent Activity**

- 3.1 The interim audit work on the Pension Fund financial statements took place in March and April 2016. Following this, KPMG produced a report outlining their key findings and recommendations which is attached as **Appendix 1**.
- 3.2 This report was considered by the Audit Committee at its meeting on 7 September 2017 and a verbal report of the Committee's comments will be given at the Pension Board meeting.

**4.0 Recommendation**

- 4.1 That the Pension Board notes the contents of KPMG's Report.

Barry Khan  
Assistant Chief Executive (Legal and Democratic Services)  
County Hall  
Northallerton

October 2017

Background Documents – attached.



# External Audit Report 2016/17

**North Yorkshire County Council**

**North Yorkshire Pension Fund**

—

August 2017

# Summary for Audit Committee

## Financial statements

This document summarises the key findings in relation to our 2016/17 external audit at North Yorkshire County Council ('the Council') and North Yorkshire Pension Fund ('the Pension Fund').

This report focusses on our on-site work which was completed in July and August 2017 on the Council's significant risk areas, as well as other areas of your financial statements. Our findings are summarised on pages 4 to 14.

**Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Council's financial statements after the Audit Committee on 7 September.**

**We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements at the same time.**

For the Council accounts we identified 7 significant audit adjustments from the draft financial statements. Some of these adjustments impacted on the Comprehensive Income & Expenditure Statement, but the impact was reversed out through the Movement in Reserves Statement and so did not impact on the level of General Fund balance. The adjustments affecting the Balance Sheet reduced the Council's Net Assets by £1.4m. See Appendix 3 for details on the adjustments made.

For the Pension Fund accounts we identified 1 disclosure audit adjustment from the draft financial statements but this has no impact on the net assets of the fund. See Appendix 3 for the details of the adjustment.

Based on our work, we have raised one recommendation. Details on our recommendation can be found in Appendix 1.

We are now in the completion stage of the audit, but our audit work on the Council's Whole of Government Accounts submission has yet to be completed. This final phase of work will be completed before the end of September 2017, and we will issue our completion certificate and Annual Audit Letter at the conclusion of all audit work.

## Value for Money conclusion

In April 2017 we reported that we had completed our detailed risk assessment and planning work for our Value for Money (VFM) conclusion and had not identified any significant risks. We have updated our risk assessment through the audit, and concluded that our initial assessments were still appropriate, and there were no significant risks to our VFM conclusion. Following the completion of our work, we have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**We therefore anticipate issuing an unqualified value for money conclusion when we issue our audit opinion on the financial statements.**

See further details on pages 15 to 18.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

**We ask the Audit Committee to note this report.**

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## The key contacts in relation to our audit are:

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This report is addressed to North Yorkshire County Council (the Council) and has been prepared for the sole use of the Council. 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](http://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 Rashpal Khangura, the engagement lead to the Council, 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 (on 0207 694 8981, or by email to [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 3H.

**Section one**

# Financial Statements



We anticipate issuing an unqualified audit opinion on the Council's 2016/17 financial statements and the Pension Fund on or after 7 September. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Council has reported Net Cost of Services of £419.6m, and a Deficit on the Provision of Services of £43.4m. The Council maintained its General Fund balance at £27.2m, but utilised £2.8m of earmarked reserves in the year.

The Pension Fund's reported Net Assets at 31 March 2017 were £3,035.8m, an increase of £618m from the previous year.



# Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Council's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

| Significant audit risks   | Work performed   |
|---|--|
| <b>1. Significant changes in the pension liability due to LGPS Triennial Valuation (Council only)</b> | <p><b>Why is this a risk?</b></p> <p>The Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.</p> <p>The pension numbers included in the financial statements for 2016/17 are based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.</p> <p><b>Our work to address this risk</b></p> <p>We reviewed the output from the Actuary relating to the Triennial Valuation at 31 March 2016 and the rolled forward values at 31 March 2017. We tested the data provided by the Council to the Pension Fund to confirm that it is materially complete and accurate.</p> <p>In addition, during our audit of the Pension Fund, we reviewed and tested the completeness and accuracy of the data provided to the actuary by the Pension Fund to inform the Triennial Review. As in previous years, we received specific requests from the auditors of other admitted bodies to provide assurance to them. We are required to support their audits under the protocols put in place by Public Sector Audit Appointments, and where the work they request is over and above that already being carried out for our Pension Fund audit, there are additional costs arising from this. As in previous years, the Pension Fund can consider recharging these costs to the relevant admitted bodies.</p> |
| <b>2. Revaluation of Property, Plant &amp; Equipment (Council only)</b>                               | <p><b>Why is this a risk?</b></p> <p>The Council has a rolling programme of revaluations of its Property, Plant &amp; Equipment assets in line with the requirements of the CIPFA Code of Practice.</p> <p>In 2016/17 the rolling programme meant the Council revalued its primary schools. This is a significant proportion of the Council's PPE value and represents a very large number of assets. While the revaluation approach was applied consistently with previous years revaluations, the size and nature of the assets being revalued in 2016/17, results in the inherent risk of applying incorrect valuations leading to material errors being greater than in previous years.</p> <p><b>Our work to address this risk</b></p> <p>We discussed with officers early in our audit to establish the approach that the Council took to revaluing its primary schools. Our detailed testing included a range of work, including:</p> <ul style="list-style-type: none"><li>— Assessing the competence, capability, objectivity and independence of the Council's external valuer;</li></ul>  |



| Significant audit opinion risks   | Work performed  |
|---|---|
| <b>2. Revaluation of Property, Plant &amp; Equipment (Council only) (continued)</b> | <ul style="list-style-type: none"><li>— Reviewing the terms of engagement of, and the instructions issued to, the valuer for consistency with the Council's accounting policies and the CIPFA Code of Practice;</li><li>— Reviewing the information provided to the valuer by the Council and agreeing this to the Council's asset records;</li><li>— Reviewing the reasonableness of the valuation assumptions used in the valuation model;</li><li>— Reviewing the accounting treatment of the revaluation within the Council's financial statements to ensure that any upwards revaluations or impairments have been properly classified and accounted for; and</li><li>— Considering the adequacy of the disclosures about the key judgments and degree of estimation in arriving at the valuation and related sensitivities.</li></ul> |

## Considerations required by professional standards

### Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

### Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.





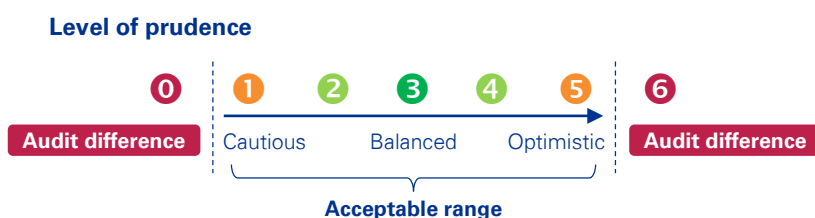
# Other areas of audit focus

We identified one key area of audit focus. These are not considered as significant risks as there are less likely to give rise to a material error. Nonetheless these are areas of importance where we would carry out substantive audit procedures to ensure that there is no risk of material misstatement.

| Other areas of audit focus  | Our work to address the areas   |
|---|---|
| <b>1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS</b> | <p data-bbox="446 609 582 636"><b>Background</b></p> <p data-bbox="446 654 1322 706">CIPFA has introduced changes to the 2016/17 Local Government Accounting Code (Code):</p> <ul data-bbox="446 727 1333 969" style="list-style-type: none"><li data-bbox="446 727 1333 841">— Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and</li><li data-bbox="446 861 1333 969">— Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note.</li></ul> <p data-bbox="446 990 1329 1100">The Council was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.</p> <p data-bbox="446 1120 672 1147"><b>What we have done</b></p> <p data-bbox="446 1166 1350 1249">During our interim audit visit in January we considered the template form of accounts the Council had produced and confirmed that this was compliant with the requirements of the Code.</p> <p data-bbox="446 1270 1350 1417">During our final audit visit we tested the Council’s restatements, and reported results for 2016/17 and confirmed that they were consistent with the requirements of the Code, and also consistent with the information the Council had reported internally. We have also agreed the disclosed figures to the Council’s Oracle general ledger and found no issues to report.</p> |

# Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



| Subjective areas   | 2016/17 | 2015/16 | Commentary  |
|--|---------|---------|---|
| <b>Provisions (Council)</b>                                | 3       | 3       | Our testing of Provisions has not identified any matters to report. The basis on which provisions have been calculated is consistent with previous periods. We believe this basis to be balanced and reasonable.  |
| <b>Accruals (Council)</b>                                  | 3       | 3       | Our testing of the Council’s approach to estimating its year end accruals has not identified any matters to report. The Council has made judgements regarding its accruals policies to enable it to produce its draft accounts a month earlier than in 2015/16. We have not identified any issues with the approaches adopted in 2016/17, and note that the Council has more actively considered the materiality of items in determining its accruals policies than in previous years.  |
| <b>Property, Plant &amp; Equipment (Council)</b>           | 3       | 3       | As reported on pages 6 and 7 the Council’s valuation of its Primary Schools was a significant risk for our audit. The Council’s valuer, North Yorkshire Property Services has carried out detailed valuation calculations and our work has concluded that the valuer has taken a balanced and reasonable approach to valuing the assets.<br><br>We consider that the Council’s judgements on the useful lives of its assets has led to balanced and reasonable lives which leads to reasonable depreciation charges.  |
| <b>Pension Fund liability (Council &amp; Pension Fund)</b> | 3       | 3       | As reported on page 6, the changes in the Council’s Pension Fund liability from the triennial revaluation was a significant risk for our audit of the Council’s financial statements. While the Pension Fund statements do not include the Pension Fund liability – reporting only the Net Assets as permitted by the applicable reporting framework – the actuarial calculations are informed by information provided by the Pension Fund.<br><br>Our testing of the controls and processes in place at the Pension Fund confirmed that the information passed to the actuary was complete and accurate. Our testing of the actuarial assumptions supporting the Council’s Pension Fund liability were in line with our own expectations and we concluded that the Pension Fund estimates are well balanced. |
| <b>Unquoted investments (Pension Fund)</b>                 | 3       | 3       | Our testing has found an effective control environment in place with regards to investments, including the fund managers and custodian engaged by the fund. We consider there to be robust review of unquoted investment valuations within these relationships.   |

# Proposed opinion and audit differences – Council

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Council’s 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 7 September 2017.

## Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality level (see Appendix 4 for more information on materiality) for this year’s audit was set at £15m. Audit differences below £0.75m are not considered significant.

Our audit identified a total of 7 significant audit differences, which we set out in Appendix 3. These adjustments have been adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of audit differences on the Council’s movements on the General Fund for the year and balance sheet as at 31 March 2017.

Although some of the adjustments have impacted on the deficit on the provision of services, this impact has been reversed out through the Movement In Reserves Statement, and there has been no impact on the Council’s General Fund balance.

The Net Assets have reduced by £1.4m as a result of the adjustments, mainly reflecting the changes in the valuation of Property, Plant & Equipment and Investment Property. There are corresponding reductions in the Council’s reserves, predominantly the Unusable Reserves.

In addition, we identified some smaller adjustments and presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (‘the Code’). The Council has adjusted these in the final financial statements.

## Narrative report

We have reviewed the Council’s 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Council.

## Annual governance statement

We have reviewed the Council’s 2016/17 Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

| Movements on the general fund 2016/17                                    |                    |                     |     |
|--|--------------------|---------------------|-----|
| £m   | Pre-audit<br>£'000 | Post-audit<br>£'000 | Ref |
| Deficit on the provision of services                                     | 35,611             | 43,361              | 1   |
| Adjustments between accounting basis and funding basis under Regulations | 32,784             | 40,534              | 1   |
| Transfers from earmarked reserves  | (2,827)            | (2,827)             |     |
| <b>Increase in General Fund</b>  | <b>0</b>           | <b>0</b>            |     |

| Balance sheet as at 31 March 2017 |                    |                     |     |
|-----------------------------------|--------------------|---------------------|-----|
| £m                                | Pre-audit<br>£'000 | Post-audit<br>£'000 | Ref |
| Property, plant and equipment     | 1,498,112          | 1,495,797           | 1   |
| Other long term assets            | 68,447             | 69,409              | 1   |
| Current assets                    | 404,724            | 404,724             |     |
| Current liabilities               | (196,195)          | (196,195)           |     |
| Long term liabilities             | (760,385)          | (760,385)           |     |
| <b>Net assets</b>                 | <b>1,014,703</b>   | <b>1,013,350</b>    |     |
| General Fund                      | 27,270             | 27,720              |     |
| Other usable reserves             | 226,964            | 226,514             | 1   |
| Unusable reserves                 | 760,469            | 759,116             | 1   |
| <b>Total reserves</b>             | <b>1,014,703</b>   | <b>1,013,350</b>    |     |

<sup>1</sup> These adjustments are detailed in Appendix 3, and relate to changes in the valuation of Property Plant & Equipment and Investment Property, and related impacts on depreciation and the charges made to the Income & Expenditure Statement. There has been no overall impact on the General Fund, and Net Assets have reduced by £1.4m.

# Proposed opinion and audit differences – Pension Fund

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Pension Fund's 2016/17 financial statements following approval of the financial statements by the Audit Committee on 7 September 2017.

## Pension fund audit

Our audit of the Fund also did not identify any material misstatements.

The final materiality level (see Appendix 4 for more information on materiality) for this year's Pension Fund audit was set at £25m. Audit differences below £1.25m are not considered significant.

Only one significant adjustment was identified and this was corrected by the Council. This relates to the disclosure of investment asset hierarchy in Note 16a, which resulted in £268.4m of assets being recategorised from Level 1 to Level 2.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Pension Fund has addressed these where significant.

As in 2015/16, the Pension Fund has accounted for benefits payable on a cash basis rather than accruing benefit liabilities which are due at the year end but not yet paid. This issue was reported last year and we have not included any specific recommendations or actions for the Fund as a result.

The benefits paid after 31st March 2017 which should have been accrued into 2016/17 were £925,000. This amount is below our significant differences threshold, and we have not required the amount to be corrected in the accounts. The corresponding figure for 2015/16 was reported by the previous auditors last year was £836,000.

## Annual report

We have reviewed the Pension Fund Annual Report and confirmed that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

The statutory deadline for publishing the document is 1 December 2017. The Pension Fund Annual Report is due to be approved by the Pensions Committee on 14 September 2017, and we intend to give our opinion on the Annual Report after this meeting. We will need to complete additional work in respect of subsequent events to cover the period between signing our opinions on the Statement of Accounts and the Pension Fund Annual Report.

| Fund account as at 31 March 2017      |                    |                     |     |
|---------------------------------------|--------------------|---------------------|-----|
| £m                                    | Pre-audit<br>£'000 | Post-audit<br>£'000 | Ref |
| Opening net assets of the Fund        | 2,417,833          | 2,417,833           |     |
| Contributions & transfers in          | 139,209            | 139,209             |     |
| Benefits & transfers out              | (113,750)          | (113,750)           |     |
| Management expenses                   | (2,168)            | (2,255)             | 1   |
| Return on investments                 | 594,232            | 594,798             | 1   |
| <b>Closing net assets of the Fund</b> | <b>3,035,356</b>   | <b>3,035,836</b>    |     |

| Net assets as at 31 March 2017 |                  |                  |     |
|--------------------------------|------------------|------------------|-----|
| £m                             | Pre-audit        | Post-audit       | Ref |
| Net investment assets          | 3,020,255        | 3,020,222        |     |
| Current assets                 | 16,874           | 17,358           | 1   |
| Current liabilities            | (1,743)          | (1,744)          | 2   |
| <b>Net assets of the Fund</b>  | <b>3,035,356</b> | <b>3,035,836</b> |     |

1 These minors errors were identified and corrected by the Pension Fund after the draft statements were produced, predominantly following receipt of more accurate information from fund managers

2 This is a rounding correction only

# Accounts production and audit process

The Accounts and Audit Regulations 2015 introduces a statutory requirement to produce a draft set of financial statements earlier for the year 2017/18. It also shortens the time available for the audit.

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Council's accounting practices and financial reporting.

We also assessed the Council's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter reporting deadlines in 2017/18.



## Introduction of KPMG Central

We introduced KPMG Central this year, which is an IT-based document storage system to facilitate the secure transfer of large amounts of data between the Council & Pension Fund and the audit team. KPMG Central aligns to our Accounts Audit Protocol and allows the Council and Pension Fund Closedown Teams to efficiently share requested information. Feedback from the finance teams has been positive, and we will refine the use of the system in 2017/18 to help drive further efficiencies.

## Accounting practices and financial reporting

The Council has recognised the additional pressures which the earlier closedown in 2017/18 will bring. A significant focus for the closedown in 2016/17 was to deliver draft financial statements earlier than in the previous year, and to the timetable which applies from 2017/18.

We are pleased to report that the Council's focus has delivered positive results, and we received a complete set of draft accounts on 1 June 2017, which is one month earlier than the current statutory deadline, and a full month earlier than in 2015/16. We have commented elsewhere in this report on some of the changes in estimation techniques adopted to deliver this earlier delivery, and we have not identified any significant weaknesses to report in the Council's approach this year.

We engaged proactively with the Council throughout the year to address issues as they emerged and this has helped to improve the efficiency of the closedown process and the progress of the final audit visit.

## Timeliness and quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in January 2017 which outlines our documentation request. This helps the Council and the Pension Fund to provide audit evidence in line with our expectations. We followed this up with regular liaison meetings with officers to discuss specific requirements of the document request list.

While most of the supporting working papers were made available for the start of our final audit visit on 26 June 2017, some key working papers were not available then. Although this did not cause significant issues this year due to the timing of the audit visit, this will not be the case in 2017/18. The deadline for our audit opinion in 2017/18 is 31 July 2018, two months earlier than this year. The challenge to deliver the earlier audit opinion will mean that our final audit visit will be shorter and more intensive, and we will require supporting working papers for the accounts as a whole to be available alongside the draft financial statements at 31 May 2018. Any delays in 2017/18 will impact on the likelihood of us meeting the audit deadline.

The standard of the working papers provided was generally high, and this is consistent with previous years.

## Section one: financial statements

### Response to audit queries

Officers responded to our audit queries promptly, and the timeliness and quality of responses did not cause delays or other consequential issues with the progress of our audit. We have developed a positive and proactive working relationship with the Council's finance team, and this has helped to deliver the audit to the planned timetable while minimising the impact on the finance team.

Most of our audit queries were directed to the Council's central finance team, but on occasions staff in other directorates and departments were involved in providing assistance and evidence to our audit team. The responses from each of these teams was similarly prompt and helpful as those received from the central finance team.

Consistent with our comments earlier in this section of the report, one of the challenges in 2017/18 of completing an earlier audit is that there is less time available to resolve our audit queries. We will continue to liaise regularly with the finance team, and ensure that we discuss and agree a suitable approach to the 2017/18 audit which provides the best opportunity to meet the earlier timetable.

### Group audit

The Council produces group accounts, incorporating its interests in its significant subsidiary companies:

- NYnet Limited (turnover of £4.4m and net assets of £7.5m); and
- Yorwaste Limited (turnover of £38.9m and net assets of £9.7m).

To provide our audit opinion on the Council's consolidated financial statements we carry out work on the consolidation process and substantively test elements of the group financial statements. We do not seek assurance from the subsidiary's component auditors, this is consistent with previous years, and reflects our efficient approach to obtaining group accounts audit evidence.

There are no specific matters to report pertaining to the group audit. We are also pleased to report that there were no issues to note in relation to the consolidation process.

### Pension Fund audit

The audit of the Pension Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

### Prior year recommendations

As part of our audit we have specifically followed up the Council's progress in addressing the recommendations in last year's ISA 260 report.

The Council has implemented all of the recommendations in our ISA 260 Report 2015/16.

Appendix 2 provides further details.

### Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final audit visit. As reported in our *Interim Audit letter* in April 2017 this work progressed well, and there were no matters to report to the Council.

# Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council and Pension Fund 2016/17 financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.**

## **Declaration of independence and objectivity**

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of North Yorkshire County Council and North Yorkshire Pension Fund for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and the Council or the Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

## **Management representations**

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Strategic Director – Corporate Resources for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

## **Other matters**

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the

oversight of the financial reporting process; and

- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Council's 2015/16 financial statements.





**Section two**

# Value for money

Our 2016/17 VFM conclusion considers whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Council has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



## Section two: value for money

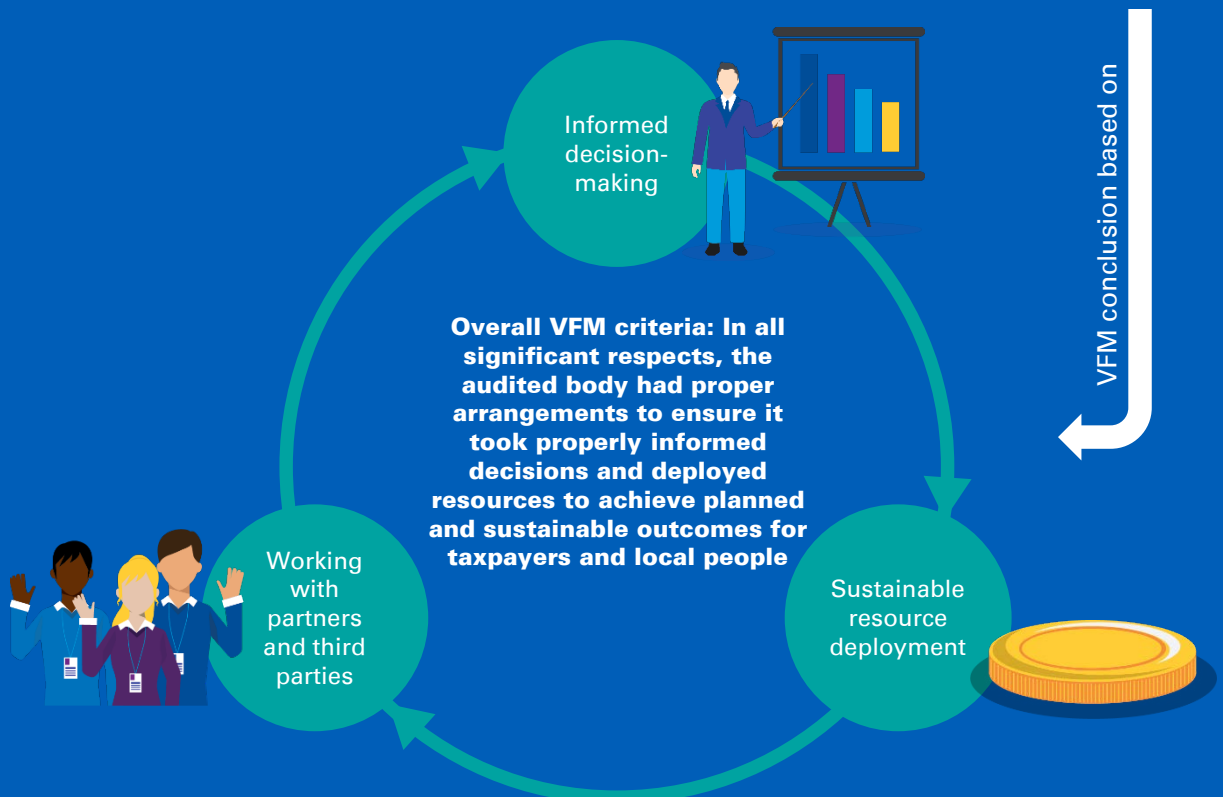
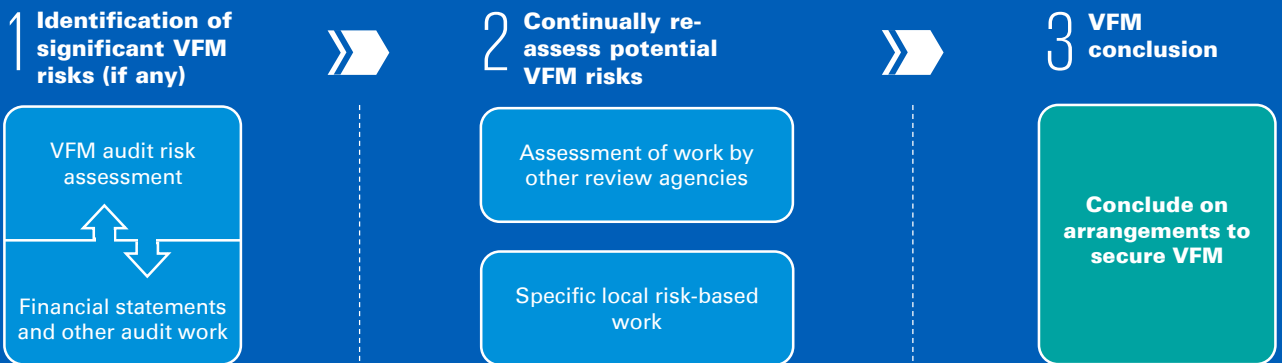
# VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Council 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

The Code of Audit Practice, published by the NAO in April 2015, requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements'.

Our VFM conclusion considers whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.





The table below summarises our assessment of the Council's arrangements against the three sub-criteria. Overall we have concluded that the Council does have adequate arrangements to deliver Value for Money in its use of resources.

| VFM assessment summary                  |                        |
|---|------------------------|
| VFM sub criteria                        | Adequate arrangements? |
| Informed decision-making                | ✓                      |
| Sustainable resource deployment         | ✓                      |
| Working with partners and third parties | ✓                      |
| <b>Overall summary</b>                  | ✓                      |

### Work completed

In line with the risk-based approach set out on the previous page, and in our External Audit Plan we have:

- Assessed the Council's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- Considered the results of relevant work by the Council, inspectorates and review agencies in relation to these risk areas.

### Key findings

Having completed our detailed planning work, we reported in our *Interim Audit letter* in April 2016, that we had not identified any significant risks to our VFM conclusion.

In concluding this, we particularly considered the following key elements:

- The Council's approach to medium term financial planning. The 2020 North Yorkshire Council Plan sets

out the Council's strategy for delivering against the significant financial challenges. These challenges are reported and monitored in the corporate risk register and the Council is clearly devoting significant resources to putting in place mitigating arrangements to manage those risks. The challenges and risks are significant for the medium term, but from our review we are satisfied that the Council has arrangements in place to respond to these challenges, and we have no issues to report.

- The Council's approach to partnership working. This year has seen closer working with local NHS organisations in areas such as the Better Care Fund and commissioning of health services across the county. The Council is aware of the significant challenges and risks with this closer integration, and we are satisfied that the Council's arrangements to manage these challenges are appropriate and adequate.
- Governance arrangements. The Council continues to deliver some significant projects and change programmes designed to address the financial and operational challenges in the medium term. In addition it continues to be innovative in considering the opportunities to strengthen its financial position, particularly in its approach to commercial opportunities. From our review of the arrangements in place, we are satisfied that the Council has continued to have in place appropriate governance arrangements to support effective decision making.

### Overall conclusion

On the basis of the detailed work carried out we conclude that the Council has adequate overall arrangements in place to deliver value for money in its use of resources.


A close-up, shallow depth-of-field photograph of a stack of books on a wooden surface. The books are stacked vertically, with a red book cover visible at the bottom. A silver pen lies horizontally in the foreground, its tip pointing towards the left. The background is softly blurred, showing more books and a warm, golden light. The word "Appendices" is overlaid in a dark red, serif font, centered horizontally and partially enclosed by two vertical lines of the same color.


# Appendices


# Key issues and recommendations

**Our audit work on the Council's 2016/17 financial statements identified an issue with the accuracy of the Council's fixed asset register. We have summarised this issue in this appendix together with our recommendation which we have agreed with Management. We have also included Management's responses to the recommendation. The Council should monitor progress in addressing the recommendation. We will formally follow up these recommendations next year.**

Each issue and recommendation have been given a priority rating, which is explained below.

- 

**High priority**  
Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 

**Medium priority**  
Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 

**Low priority**  
Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

## 2016/17 recommendations summary

| Priority     | Number raised in our interim report | Number raised from our year-end audit | Total raised for 2016/17 |
|--------------|-------------------------------------|---------------------------------------|--------------------------|
| High         | 0                                   | 0                                     | 0                        |
| Medium       | 0                                   | 1                                     | 1                        |
| Low          | 0                                   | 0                                     | 0                        |
| <b>Total</b> | <b>0</b>                            | <b>1</b>                              | <b>1</b>                 |

### 1. Fixed asset register



As part of the year-end closedown processes the Council's Fixed Asset Register, which generates the Property, Plant & Equipment accounting entries contained a number of errors, including:

- Duplicate assets, for example where schools had merged, had not been removed;
- De-commissioned assets had not been revalued and recategorised as Surplus Assets;
- The valuation of assets subject to a 'desktop' revaluation in year had not been calculated using the correct formula; and
- Accumulated depreciation relating to assets disposed of in year had not been correctly removed.

#### Recommendation

Ensure that the quality assurance of the financial statements includes a review of the fixed asset register to ensure that all errors and omissions are identified during the closedown period.

### Management Response

Accepted

The methodology by which the desktop revaluations are applied to fixed assets has been corrected. Additional measures will be implemented, as part of the closedown preparatory process and actual closedown timetable, to ensure fixed assets which have been de-commissioned, merged or re-categorise are fully identified with assistance from the Property Team and their accounting treatment amended accordingly.

#### Owner

Senior Accountant – Capital & Treasury Management

#### Deadline

31 May 2018

# Follow-up of prior year recommendations

In the previous year, we raised three recommendations which we reported in our *External Audit Report 2015/16 (ISA 260)*. The Council has implemented all of the recommendations, although as a result of timing issues, the impact of one of these will only be able to be reported in the 2017/18 financial statements.

We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation’s status to date. We have also obtained Management’s assessment of each outstanding recommendation.

Below is a summary of the prior year’s recommendations.

| 2015/16 recommendations status summary |               |                    |                    |
|--|---------------|--------------------|--------------------|
| Priority                               | Number raised | Number implemented | Number outstanding |
| High                                   | 0             | 0                  | 0                  |
| Medium                                 | 2             | 2                  | 0                  |
| Low                                    | 1             | 1                  | 0                  |
| <b>Total</b>                           | <b>3</b>      | <b>3</b>           | <b>0</b>           |



### 1. Cash flow statement – capital debtors and creditors

The Council has updated its ledger coding structure in 2015/16 and has not retained separate capital ledger codes. Consequently it has been unable to identify the capital debtors and creditors, required for compliant completion of the cash flow statement. As the cash flow requires the movement on capital debtors and creditors from the prior year, this omission will impact on 2015/16 and 2016/17.

#### Recommendation

Include a method of identifying capital debtors and creditors in the 2016/17 closedown process to enable compliance with cash flow requirements from 2017/18.

### Management original response

Agreed. The specific capital debtors and creditors balance sheet codes were consolidated as part of the review of the Authority’s Chart of Accounts during the upgrade of the financial ledger, which has impacted on the detail of the analysis available. As a result the report’s recommendation is accepted and the specific codes will be re-instated for use during 2016/17.

*Owner*

Senior Accountant, Capital & Treasury Management

*Original deadline*

30 June 2017

### KPMG’s August 2017 assessment

Fully implemented

Our testing of the cash flow statement identified that the Council has re-instated capital debtor and creditor codes in its chart of accounts and that these codes had been used.

As the original recommendation states, the compliance with the cash flow reporting requirements will only be achieved in 2017/18 once the Council has an accurate opening and closing balance on these codes.



Medium priority

**2. Assets under construction**

As part of the year-end closedown processes the Council omitted to transfer an asset from Assets under Construction to Operational Land & Building.

Assets under Construction are measured at Historical Cost, whereas Operational Assets are measured at either Existing Use Value or Depreciated Replacement Cost.

**Recommendation**

Include a process to identify the operational date of any Assets under Construction as part of the year-end closedown, and ensure that the value of any operational assets transferred in year is on the correct basis.

**Management original response**

Agreed. The report’s recommendation is accepted and a full review of any Assets Under Construction will be undertaken as part of the year end closedown process.

*Owner*

Senior Accountant, Capital & Treasury Management

*Original deadline*

30 June 2017

**KPMG’s August 2017 assessment**

Fully implemented

Our work indicates that the Council has transferred all Assets under Construction to operational assets during the year and that the assets transferred have been revalued according to the Council’s revaluation policy.

Low priority

**3. Related Party Transactions**

In applying the applicable financial standard, the CIPFA Code allows Councils to apply a consideration of materiality in disclosing related party transactions. It does however require that Councils consider materiality from both its own perspective and that of the related party. This might mean that a low level of transaction should be disclosed where it relates to an individual or a small business. Although it has disclosed some related party transactions of a low value, the transactions with Other Related Parties are only disclosed where they are greater than £1 million.

**Recommendation**

Include a consideration of materiality from both the related party and the Council’s perspective in the closedown processes for all related party transactions and disclose all transactions that are considered material from either party.

**Management original response**

Agreed. In line with the reports recommendation, a review of the materiality thresholds regarding related party disclosures will be undertaken in advance of the 2016/17 closedown process.

*Owner*

Senior Accountant, Statutory Accounts

*Original deadline*

30 June 2017

**KPMG’s August 2017 assessment**

Fully implemented

Our work indicates that the Council has considered the materiality of related party transactions during this years accounts preparation.

# Audit differences

**We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance, which in your case is the Audit Committee. We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.**

A number of minor amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. The Council's finance team has responded positively to our audit findings and is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

## **Adjusted audit differences – Council**

Our audit did not identify any material misstatements.

Our audit identified a number of non material errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them:

- Property, Plant & Equipment (PPE) (Note 18):
  - Duplications. A small number of assets were found to be duplicated on the fixed asset register as a result of the register not being updated to reflect schools that had merged through the year. As a result the Land & Buildings value of PPE has been reduced by £6.0m with a corresponding reduction across the Capital Adjustment Account and Revaluation Reserve.
  - PPE Valuations. The revaluation of Property, Plant and Equipment had been incorrectly applied in the fixed asset register, resulting in an understatement in the Net Book Value of PPE in Note 18 of £8.0m. This error arose through applying an incorrect percentage increase to the previous valuation for each relevant asset. This error also impacted on the valuation of Investment Property in Note 25 of £1.0m. The total impact of this adjustment was an increase in net assets of £9.0m as at 31 March 2017.
  - Bentham School. A new school became operational during 2015/16 and was revalued during 2016/17. The new valuation had not been applied to the new school in the asset register, and in addition the old school, which was no longer operational, had not been impaired and recategorised to reflect it now being a surplus asset. The impact of these adjustments is that the Land & Buildings Net Book Value reduced by £4.9m and the value of Surplus Assets increased by £0.6m. The corresponding adjustments have been made to the Capital Adjustment Account and the Revaluation Reserve.
  - Depreciation on disposed PPE assets. The accumulated depreciation on assets disposed of in the year had not been correctly categorised and written out of the asset register and Note 18. This has been corrected within Note 18 and has no impact on the closing net book value of PPE which was correctly stated.
- Capital expenditure (Note 21): The amount of expenditure on 'Structural Maintenance of Roads and Bridges' disclosed in Note 21 was understated by £6.8m, and 'All spending in areas below £2m' was overstated by £6.8m.
- Capital grants (Note 9): The amount of Local Growth Fund grant income in Note 9 was overstated by £7.0m. In addition the amount in Note 9 relating to Section 31 grant for Bedale Bypass was understated by £2.7m. This error also impacted on the capital expenditure disclosed in Notes 21, 22 and 34, reflecting the net overstatement of £4.3m in capital grants and associated expenditure.
- Leases (Note 13): Future financial commitments under operating leases was understated by £1.1m due to the omission of vehicle contract hire leases from the original draft figures. This only impacted on the disclosures in Note 13.

## **Unadjusted audit differences - Council**

There are no unadjusted audit differences. All adjustments identified through the audit have been adjusted in the final financial statements.

## Appendix 3

### Adjusted audit differences – Pension Fund

Our audit did not identify any material misstatements.

Our audit identified one significant disclosure error in the Pension Fund financial statements. This has been discussed with management and the financial statements have been amended:

- Fair Value hierarchy (Note 16a). Our testing identified that a number of investments which were originally classified as level 1 financial assets did not meet the definition of a level 1 financial asset, and were actually level 2 assets. The value of investments which were reclassified as a result of this finding was £309.8m. An adjustment was also made to the prior period disclosure for level 1 and 2 assets in Note 16a. This issue does not impact on the opening or closing net assets of the fund.

### Unadjusted audit differences – Pension Fund

There are no unadjusted audit differences. All adjustments identified through the audit have been adjusted in the final financial statements.

# Materiality and reporting of audit differences

## The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We revisited our assessment of materiality reported in our External Audit Plan 2016/17, presented to you in February 2017, and have confirmed that the level of materiality was still appropriate.

### Materiality – Council audit

Materiality for our audit of the Council's financial statements was set at £15 million which equates to around 1.5 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision which was £10 million for the Council financial statements.

### Materiality – Pension Fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £25 million which is approximately 0.8 percent of the Fund net assets.

We design our procedures to detect errors at a lower level of precision, set at £17 million for 2016/17.

### Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether

taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

*ISA 450* requires us to request that uncorrected misstatements are corrected.

In the context of the Council and Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.75 million for the Council and £1.25 million for the Pension Fund.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

# Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

*"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately

disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

### Auditor declaration

In relation to the audit of the financial statements of North Yorkshire County Council and North Yorkshire Pension Fund for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and the Council or the Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

### Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

| Summary of non-audit work   |               |  |
|---|---------------|--|
| Description of non-audit service  | Fee           | Potential threat to auditor independence and associated safeguards in place  |
| Grant claim assurance work on: <ul style="list-style-type: none"> <li>- Teachers' Pension return</li> <li>- Department for Transport Major Schemes claim</li> </ul> | £5,500        | <p><b>Self-interest:</b> These engagements are entirely separate from the audit through a separate contract. The fee rates are low in comparison to the audit fees and they are not contingent on any outcomes from the assurance work.</p> <p><b>Self-review:</b> The nature of this work is to provide an independent assurance report to the relevant external body. This does not impact on our other audit responsibilities and there is no threat of our work under these engagements being reviewed through our audit.</p> <p><b>Management threat:</b> This work provides a separate assurance report and does not impact on any management decisions.</p> <p><b>Familiarity:</b> This threat is limited given the scale, nature and timing of the work. This is the second year we have completed these assurance reports.</p> <p><b>Advocacy:</b> We will not act as advocates for the Council in any aspect of this work. The output is an independent assurance report to the relevant external body applying an approach issued by that body.</p> <p><b>Intimidation:</b> not applicable to these areas of work</p> |
| <b>Total estimated fees</b>   | <b>£5,500</b> |  |
| <b>Total estimated fees as a percentage of the external audit fees</b>  | <b>5%</b>     |  |

## Appendix 6

# Audit fees

### Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the Council audit is £94,490 plus VAT (£94,490 in 2015/16), and £24,943 plus VAT (£24,493 in 2015/16) for the Pension Fund audit.

We are proposing an additional fee of £4,996 to the Pension Fund, relating to the additional work we were required to carry out for other auditors of admitted bodies for IAS19 reporting purposes, under arrangements put in place by PSAA. This is the same additional fee we raised, following approval by PSAA, in 2015/16 as the level of work has been the same this year.

| PSAA fee table  |                              |                              |
|---|------------------------------|------------------------------|
| Component of audit  | 2016/17<br>(actual fee)<br>£ | 2015/16<br>(actual fee)<br>£ |
| <b>Council accounts opinion and value for money conclusion work</b> |                              |                              |
| PSAA scale fee  | 94,490                       | 94,490                       |
| Additional work to conclude our opinion and conclusion              | 0                            | 2,991                        |
| <b>Sub-total</b>  | <b>94,490</b>                | <b>97,481</b>                |
| <b>Pension Fund opinion</b>   |                              |                              |
| PSAA scale fee  | 24,493                       | 24,493                       |
| Additional work to conclude our opinion                             | (Note 1) 4,996               | 4,996                        |
| <b>Sub-total</b>  | <b>29,489</b>                | <b>29,489</b>                |
| <b>Total Council and Pension Fund audit fee</b>                     | <b>123,979</b>               | <b>126,970</b>               |

All fees are quoted exclusive of VAT.

#### Note 1: Pension Fund additional work

For 2016/17, we have discussed additional fee in relation to the additional IAS19 work for other auditors of admitted bodies with the s151 officer. This is still subject to PSAA determination.





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