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# Annual Audit Letter 2011/12

Cheltenham Borough Council

October 2012

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This report is addressed to 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. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This report summarises the key findings from our 2011/12 audit of Cheltenham Borough Council (the Council).

Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Council's 2011/12 financial statements and the 2011/12 VFM conclusion.

<b>VFM conclusion</b>	<p>We issued an unqualified value for money ('VFM') conclusion for 2011/12 on 19 September 2012.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<b>VFM risk areas</b>	<p>We identified two significant risks to our VFM conclusion, being the delivery of the savings plan and the GO Project, and considered the arrangements you have put in place to mitigate these.</p> <ul style="list-style-type: none"> <li>■ <b>Savings Plan:</b> We considered the process used by the Council to put together the savings plan and monitor progress against it. Management have monitored the savings plan closely through their 'Bridging the Gap' programme board, which has been regularly reported to members. These savings are risk assessed and savings that have been delivered are removed from the base budgets. The level of detail provided in the reports indicate that management understand the costs of delivery and are achieving the savings required.</li> <li>■ <b>GO Project:</b> As the GO project has now been implemented at the Council with effect from the 1 April 2012, we have discussed with management how the project has been managed, and reviewed the costs of implementation included within the 31 March 2012 financial statements. Management had always forecast that savings from the GO project would be realised during 2013/14 and therefore it is not yet possible to review the achievement of these savings.</li> </ul>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 19 September 2012. This means that we believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year.</p>
<b>Financial statements audit</b>	<ul style="list-style-type: none"> <li>■ The audit identified seven significant audit differences which were corrected by the Council and one immaterial difference which was uncorrected.</li> <li>■ There was a decline in the quality of the accounts and the supporting working papers as a result of the increased pressure placed on the finance team with the transition to the 'GO' Project on 1st April 2012.</li> <li>■ Officers dealt with audit queries as efficiently as possible but there were delays in the audit process as a result of the number of queries and the need to work around holiday leave.</li> <li>■ The Council has implemented the majority of the recommendations in our <i>ISA 260 Report 2010/11 relating to the financial statements</i>.</li> </ul>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>



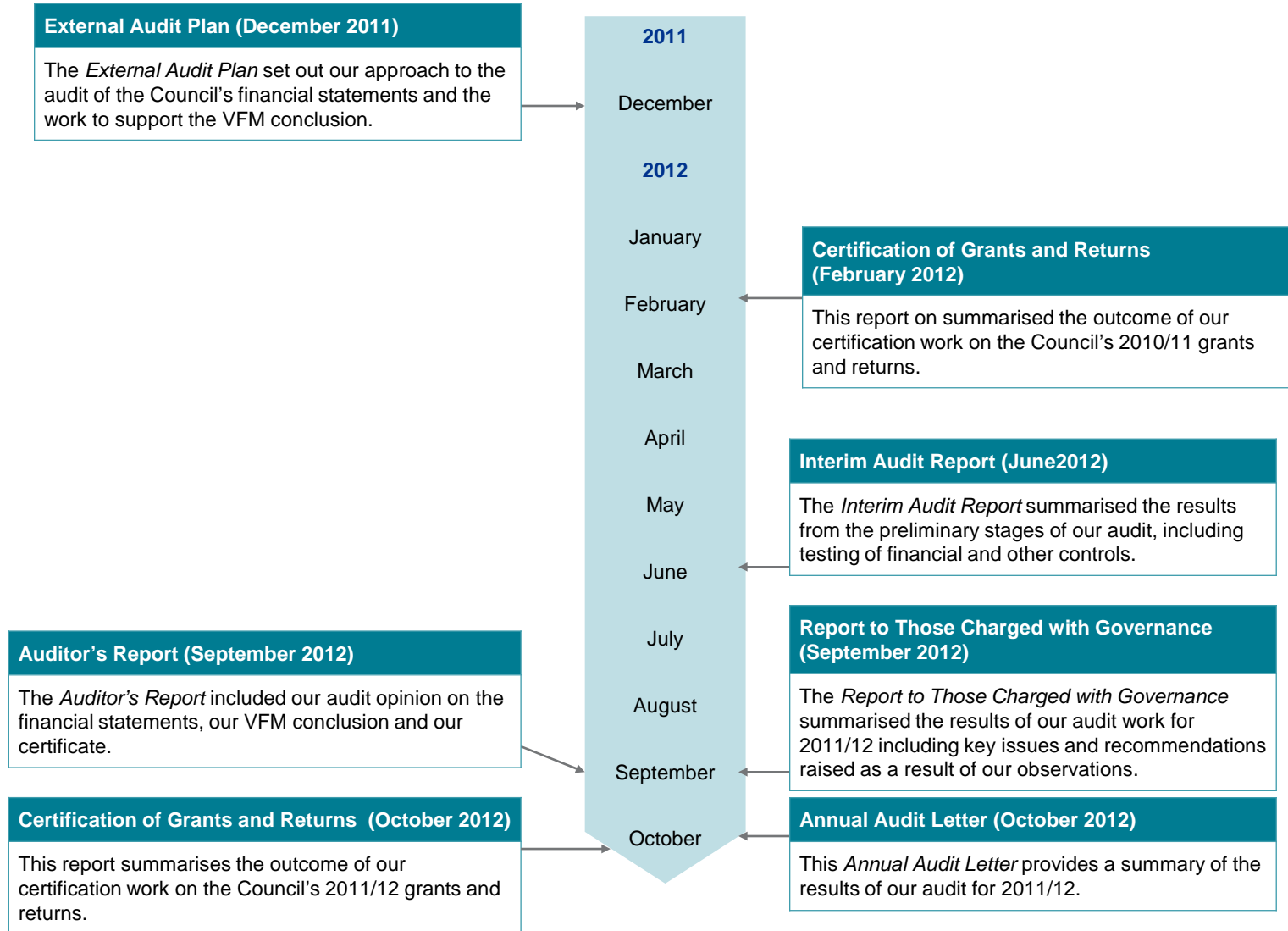
## Section one Headlines (continued)

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

Whole of Government Accounts	The Authority was below the full audit threshold, therefore we completed a limited review of the WGA reporting pack in line with NAO guidance. No issues were identified.
High priority recommendations	No high priority recommendations were raised as a result of our 2011/12 work. The Council has appropriately addressed those recommendations that were not linked to the GO project. However there were several recommendations that rely upon GO to be implemented and we would expect these to be checked during the 2012/13 audit.
Certificate	We issued our certificate on 19 September 2012. The certificate confirms that we have concluded the audit for 2011/12 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 2011/12 was £116,790 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 2011/12.**

We have summarised below the outturn against the 2011/12 planned external audit fee.

#### **External audit**

Our final fee for the 2011/12 audit of Cheltenham Borough Council was £116,790. This is an overall reduction of £2,199 (2%) on the comparative total fee for 2010/11 of £118,989. The 2010/11 fee included £5,000 for the follow up of Public Interest Report and also included the costs of transition to IFRS. The Council received a rebate from the Audit Commission of £7,626 to cover the costs of IFRS transition, so the net fee was £111,363 plus VAT.

The 2011/12 final fee of £116,790 compares with a planned fee of £108,290. The main reasons for the £8,500 additional fee were:

- The unplanned extra audit work required as a result of the inclusion of the Heritage Assets on the Balance sheet for the first time this year; and
- The number of significant audit adjustments which were identified during the audit.

#### **Certification of grants and returns**

Our grants work has now been completed and the fee will be confirmed through our report on the *Certification of Grants and Returns 2011/12* which will also be issued this month.

#### **Other services**

We also charged £3,962 for work in respect of the two Electors' challenges that have been received in the year.



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