



Annual Audit Letter 2016/17

Spelthorne Borough Council

—

March 2019



Contents

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Page

Report sections

— Headlines

3

Appendices

5

1. Key issues and recommendations
2. Summary of reports issues
3. Audit fees

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

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.

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Section one

Headlines

This Annual Audit Letter summarises the outcome from our audit work at Spelthorne Borough 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	<p>We issued a qualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 19 February 2019. This means we are not satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources. This is as a result of significant weaknesses identified in those arrangements in relation to the Authority's purchase of the BP campus.</p> <p>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.</p>
VFM risk areas	<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> <p>Our work identified the following significant risk:</p> <ul style="list-style-type: none"> — The purchase of the BP campus: an adverse qualified opinion was issued due to weaknesses identified with the trail to support the decision making process in relation to the acquisition, and fully considering the financial impact on the Authority after the leaseback period ended. <p>We identified areas of audit focus related to procurement and financial resilience, however, we did not identify any matters through our work on these areas that were required to be reported to the Audit Committee.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 19 February 2019. 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 Knowle Green Estates Limited.</p>
Financial statements audit	<p>Our work on the financial statements audit highlighted:</p> <ul style="list-style-type: none"> — One unadjusted audit difference identified as part of the audit which has been reported to the Audit Committee; — 24 adjusted audit differences identified through the audit. These have all been reported to the Audit Committee; — The initial draft of the financial statements provided was of poor quality and we have raised a number of recommendations to improve this process in future years. This included four high priority and two medium priority recommendations all raised within the ISA 260 which has been reported to the Audit Committee.
Other information accompanying the financial statements	<p>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.</p>

Section one

Headlines (cont.)

We have issued our certificate to confirm the completion of our audit responsibilities for the 2016/17 audit year.

Whole of Government Accounts	The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We were not required to review your pack in detail, as although the Authority is above the threshold where an audit is undertaken, due to the timeframe in which financial statements were finalised and signed, this was no longer required. The Authority has confirmed this with the Treasury.
High priority recommendations	<p>We raised five high priority recommendations as a result of our 2016/17 audit work (one related to VFM and four related to the financial statements). These are detailed in Appendix 1 together with the action plan agreed by management.</p> <ul style="list-style-type: none"> — Weaknesses identified in the arrangements that the Authority put in place to assure itself that it was achieving value for money in relation to the purchase of the BP campus. This included the documentation of investment decisions, whole investment cost analysis, publication of decisions in line with the regulations and the documentation of the consideration of proportionality of the investment property transaction; — Independent review of the financial statements by a senior officer; — Resilience of the Authority finance team; — Appropriate publication of the Notice of Audit; and — Retention of adequate supporting evidence for journals, as well as enforcing segregation of duties in the approval of journals. <p>We will formally follow up these recommendations as part of our 2017/18 work.</p>
Certificate	We issued our certificate on 19 February 2019. 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 planned fee for the audit was £48,128 excluding VAT (£48,128 excluding VAT in 2015/16). As a result of the delays in provision of information, the poor quality of information provided and the complexity of our VFM work relating to the sale and leaseback of the BP campus, we have incurred very significant overruns on our audit costs. We will agree an additional fee with the Authority and the PSAA in due course.

Key issues and recommendations

Recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: 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.	2	Priority two: 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.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		
#	Risk	Recommendation	Management Response / Officer / Due Date
Value for Money			
1	1	<p>Purchase of BP campus</p> <p>Our work to consider the arrangements that the Authority put in place in relation to the purchase of the BP campus has identified the following weaknesses:</p> <ul style="list-style-type: none"> <i>Documentation of investment decisions:</i> the audit trail to support the decision to purchase the BP campus was poor, and contained within a number of emails and meeting notes. There was no clear documentation which chronologically set out the basis on which the decision to purchase and the purchase price agreed <i>Whole investment cost analysis:</i> whilst modelling of the costs and revenue generated had been undertaken for the life of the lease with BP, there was no detailed modelling and stress testing of the period beyond that lease life to build on the potential future options paper that was commissioned by an external property valuer, to set out how the remaining significant lease costs would be met <i>Publication of decisions in line with the Regulations:</i> The decision to purchase the campus was not published in line with Regulation 13 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. <i>Proportionality of investment property transactions:</i> Legal counsel advised that the proportionality of such a transaction should be considered in terms of the Authority's overall capital programme. The consideration of whether it did represent a disproportionate amount of the capital programme was not formally documented. <p><i>Continued overleaf</i></p>	<p>Documentation of investment decisions</p> <p>There was very clear delegation of decision making from Cabinet, after consideration of the reports on the proposal to pursue purchase, with delegation to the Leader of the Council, Chief Executive, Finance Portfolio Holder and Section 151 Officer. This delegation process was followed. The Council's decision makers sought appropriate professional advice from a range of best in class advisers who provided exhaustive due diligence and ensured that risks were identified, discussed and mitigated. There were many hundreds of hours of consideration of the proposal and this did indeed generate a large volume of email records. Due to the timing of when the BP opportunity arose there were a number of teleconferences required at which advisers, senior officers (including the Chief Executive and Section 151 Officer) or councillors (the Leader and the Finance Portfolio Holder) were dialling in. The use of email did ensure a written record of decision taking and discussions existed. The four decision makers all reviewed the extensive reports provide by our external advisors, and were briefed by both senior officers and our advisors, prior to giving their delegated approval.</p> <p><i>Continued overleaf</i></p>

Key issues and recommendations (cont.)

#	Risk	Recommendation	Management Response / Officer / Due Date
Value for Money			
1	1	<p>Purchase of BP campus - continued</p> <p>During 2017/18 and 2018/19, the Authority has continued to purchase commercial investment properties with the primary aim of developing further revenue streams to support the delivery of its budget. It is essential that:</p> <ul style="list-style-type: none"> A full documentation trail is in place, which sets out the information reviewed, the external specialist advice sought and the modelling and scenario planning undertaken to support the decision to purchase (or not proceed with a purchase) of an investment property. This should include full documentation of who decision making was delegated to and demonstration that all conditions upon which the delegation was made have been met Costing and financial analysis should be undertaken for the full term that costs will be required to be met by the asset (normally this will extend to the life of the loan which is financing the purchase). Where multiple future options exist, these should be fully modelled and stress-tested so that all of the risks attached to the purchase can be analysed and understood Decisions are published in line with Regulation 13 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 The proportionality of all investment property transactions are considered in terms of the overall capital programme of the Authority, in line with the legal counsel opinion, and that this consideration is formally documented along with the rationale for the decision reached. 	<p>The Council has put in additional governance arrangements including:</p> <ul style="list-style-type: none"> Weekly review of performance of acquisition, progress of developments, and evaluation of possible acquisitions commenced firstly from October 2017 as part of an expanded Corporate Management Team meeting and then subsequently by a separately weekly scheduled senior officer Development and Investment Group (DIG) on which sits the Chief Executive, Monitoring Officer, Chief Finance Officer, Deputy Chief Executive, Property and Development Manager, Group Head for Regeneration, Housing Policy Manager, Development Manager. The DIG meetings commenced 9th April 2018 Monthly meetings of Investment and Property Committee on which Leader and Finance Portfolio Holder sit, to review and discuss investments performance of investments and developments and to consider and evaluate possible acquisitions and whether to put forward to Cabinet for consideration. The Investment and Property Committee meetings commenced 6th February 2018 The Council has significantly expanded its in-house professional and commercial property expertise, bringing in a number of staff with significant commercial property experience both with respect to acquisitions and developments and with respect to managing property funds. The Council appointed its Property and Development Manager on 3 July 2017, its Asset Manager on 19th February 2018 The Council has brought in (November 2017) additional advisers to provide a second opinion on lead advisers advice and to produce reports on the financial robustness of tenants in potential acquisitions. Periodic update reports on the health of tenants in acquired assets are produced. More regular updates can be provided where necessary •The Council has subscribed, since January 2018, to S&P’s credit rating database and set up watch lists for its tenants to alert it to any deterioration in the health of its tenants. Where there is any deterioration the potential impact of this is reviewed by the internal team. Quarterly performance review reports have been produced since August 2018, on the Council’s overall investment portfolio Sensitivity analysis is undertaken with respect to variables such as rental growth. <p><i>Continued overleaf</i></p>

Key issues and recommendations (cont.)

#	Risk	Recommendation	Management Response / Officer / Due Date
Value for Money			
1	1	Purchase of BP campus - <i>continued</i>	<p>Whole investment cost analysis</p> <p>It is not standard Asset Management Practice to project scenarios 20 to 50 years ahead. We have taken the time to assess the Council's position at the end of lease, with reports from competent professionals which have been shared with the auditors. In the view of most competent estate management professionals, such projections are meaningless. The Council commissioned an independent report on alternative use values at the end of the initial 20 year lease, and has very clear and financially sound options for the BP site at the end of 20 years in the event BP do not renew:</p> <ul style="list-style-type: none"> • Refurbishment to a general multi-let business park • Refurbishment to another corporate HQ business park • Refurbishment to airport related business park (in light of Heathrow expansion) • Residential development <p>There are also variations of the above in the event of the tenant (who has been on the location for over 100 years) remaining on part of the site at the end of the lease.</p> <p>It should be remembered the strengths of the location of the BP campus, given its proximity to an expanding Heathrow, M3 and M25, and future Cross Rail 2, that the site is likely to remain a highly sought after and valuable location.</p> <p>Despite questions as to the usefulness of such analysis, the Council has on more recent acquisitions nevertheless undertaken full 50 year rental projections on both a cautious base case and worst case set of scenarios. The Council's second set of advisers modelled for Hammersmith Grove a number of scenarios around rental risk</p> <p><i>Continued overleaf</i></p>

Key issues and recommendations (cont.)

#	Risk	Recommendation	Management Response / Officer / Due Date
Value for Money			
1	1	Purchase of BP campus - continued	<p>Publication of decisions in line with regulations</p> <p>Information as regards Regulation 13 has been published on our website. The issue of Regulation 13 is not, in the Council's view, significant in the circumstances. The Council acknowledges the error in this regard, and it is fair comment for the Auditor to bring it to our attention. Steps have been taken to review this process since. However, this issue is not, in the Council's view, material to the question of economy, efficiency and effectiveness. The Council was very transparent in ensuring that residents and stakeholders were promptly made aware of the acquisition through a number of press releases and other communication channels.</p> <p>Proportionality of investment property transactions</p> <p>The advice from Counsel was considered by the Council. The Council took it into account when making its decision. The Council clearly had in mind that a £380m purchase was beyond any transaction which it contemplated before and was suitably cautious and considered all the papers and issues put before them. KPMG wished to see this consideration documented in detail in the minutes. This is fair comment and noted. However, in the Council's view, whether the consideration was noted in the minutes or not, has no bearing on whether the Council can deliver its services and secure economy, efficiency and effectiveness overall in doing so.</p> <p>The advice from Counsel was specific to the BP purchase because proportionality was an issue at that time, with that transaction of £380m against a small portfolio and capital programme as it existed in 2016. Since that time, and for future transactions, proportionality may not be an issue given the size of the Council's existing portfolio and capital programme. The Council will however document considerations of proportionality where they arise and are relevant.</p> <p>The Council has always had regard to the external legal advice it has received. The significant increase in internal commercial expertise put in place following the BP acquisition, combined with expanding the range of external advisers, has enabled the Council to have capacity to handle risks associated with expanding the investment portfolio further.</p>

Appendix One

Key issues and recommendations (cont.)

Recommendations raised as a result of our financial statements work in the current year are as follows:

#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
1	1	<p>Financial statements production</p> <p>The draft accounts published by the Authority on 17 July 2017 had not been adequately prepared or reviewed by an appropriate member of the Authority's finance team.</p> <p>Due to staff turnover, both of the subsequent accounts preparers were new joiners and did not have historical knowledge of the Authority's systems or operations to prepare the accounts. There was limited evidence of an independent review of the draft accounts.</p> <p>As a result, the accounts did not appropriately reflect significant transactions that took place during the year, such as the acquisition of the BP campus or the drawdown of over £400m in loans. In addition, we identified a significant volume of presentational/disclosure errors, material inconsistencies within the accounts, and departures from the CIPFA guidance notes. This caused significant delays in the audit timetable, and we were required to postpone our work mid-audit and reschedule the remaining fieldwork until the accounts had been corrected.</p> <p>We recommend that the financial statements are prepared by individuals with sufficient knowledge and experience of the organisation. Following preparation, the accounts should be independently reviewed by a senior officer and any errors or discrepancies identified should be recorded in advance of the onsite audit period.</p> <p>The Authority must strengthen its financial reporting in order to put it in a good position to meet the new 2017/18 deadline of 31 July. Additional reviews of working papers, particularly those that involve key areas of judgement, should be made a matter of routine.</p>	<p>Accepted</p> <p>As the report highlights several key members of the Accountancy team left during the accounts process and there were issues with an interim individual. The Council now has in place a permanent Chief Accountant with many years experience of closing of accounts (and indeed has been involved recently in piloting CIPFA's "Big Red Button" process for speeding up accounts closure. We also now have in place a permanent Deputy Chief Accountant with a broad range of technical accounting experience. The Chief Accountant and Chief Finance Officer are undertaking a fundamental review of the close down process and will ensure that it is speeded up and additional review is built into the process to be completed before Christmas 2017. Other members of the team are being provided with additional training. The Accountancy team will also draw on its Treasury Management advisers to review relevant technical (financial instruments etc.) notes and treatment during the closure process.</p> <p>Action by: Chief Finance Officer / Chief Accountant</p> <p>Due date: 23 December 2017</p>

Appendix One

Key issues and recommendations (cont.)

#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
2	1	<p>Resilience of Authority finance team</p> <p>Significant personnel changes have occurred across the Authority's financial team with further changes anticipated. As a result, there is increased risk around succession planning, retaining corporate memory and maintaining business as usual at the Authority.</p> <p>We recommended that the Authority develops a succession and stability plan to ensure that the finance team is resilient to personnel and structural changes and that stability is maintained when individuals leave. The Authority should also consider creating practical strategies that Management can use to engage and retain talent within its finance team.</p>	<p>Accepted</p> <p>As per response to Recommendation One, we are undertaking a training plan to develop the skills and experience of the team and to build in more experience. We are examining options to help retain talent within the team.</p> <p>The Chief Accountant will be reviewing succession planning and looking to ensure that there is greater resilience in the accountancy team.</p> <p>Action by: Chief Finance Officer / Chief Accountant Due date: 23 December 2017</p>
3	1	<p>Notice of Audit</p> <p>The Authority has failed to advertise the audit via a public inspection notice in accordance with the Accounts and Audit Regulations 2015. The Regulations require the accounts to be available for public inspection for 30 working days. For the year ended 31 March 2017 the Authority's period commenced on 18 July 2017 and ended 17 August 2017, a period of 21 working days. Although this is not in accordance with the Regulations, we are satisfied that the Authority has afforded electors an appropriate opportunity to exercise their rights.</p> <p>The Authority must ensure that it advertises the audit of its accounts in accordance with the Accounts and Audit Regulations 2015. For the financial year ended 31 March 2018, the period is required to include the first 10 working days of June 2018.</p>	<p>Accepted</p> <p>Whilst the advert was posted the duration was insufficient. Management will ensure that the full 31 working days is allowed in the future</p> <p>Action by: Chief Accountant Due date: complete and ongoing</p>

Appendix One

Key issues and recommendations (cont.)

#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
4	1	<p>Journal approvals and segregation of duties</p> <p>During our testing of journals we identified issues relating to the way some transactions were processed and evidenced during the financial year 2016/17.</p> <p>The Authority has concluded that it is not possible to recreate the evidence for why these journals were processed. The individuals who processed and/or approved the journals have now left the Authority and have left no written record of why they were processed and the line descriptions are often inadequate.</p> <p>We recommend that for all journal entries, the Authority ensures:</p> <ul style="list-style-type: none"> ▪ All journal entries are approved by an individual separate from the person who uploads them; ▪ Either the Deputy Chief Accountant or the Chief Accountant approves all journals over £20,000 in value; ▪ A meaningful description is provided for each journal entry stating the reason why the journal was necessary and what the journal represents in accounting terms; ▪ Adequate supporting evidence is kept on file for each journal raised; and ▪ Accountancy team Management regularly review the files to monitor compliance and raise with individuals through one to ones or the annual appraisal system if there are recurring issues. 	<p>Accepted</p> <p>Chief Accountant will provide a quarterly review to Chief Finance Officer to confirm compliance. Action by Chief Accountant.</p> <p>Action by: Chief Finance Officer / Chief Accountant</p> <p>Due date: Now implemented</p>

Appendix One

Key issues and recommendations (cont.)

#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
5	2	<p>Valuation of land and buildings</p> <p>As part of our procedures to provide assurance over the valuation of land and buildings within the financial statements, a review of the year end Valuation Report produced by the external valuer and commissioned by the Authority was undertaken as well as a review of the Authority processes and controls in relation to the valuation exercise.</p> <p>From this review, we have identified a number of detailed recommendations to strengthen the approach that the Authority takes to the valuation of its land and buildings and have shared these with the Finance Team. This includes demonstration of the consideration and challenge of the assumptions applied by the external valuer and ensuring a robust data trail underpins the valuations applied to the accounts. We recommend that the Finance Team implement our action plan ahead of the next valuation exercise.</p>	<p>Accepted</p> <p>Agreed.</p> <p>Action by: Chief Accountant</p> <p>Due date: 1 February 2018</p>
6	2	<p>Fixed asset registers</p> <p>During our testing of fixed assets we were unable to obtain Fixed Asset Registers in relation to IT equipment, intangible assets and heritage assets. Without a complete listing, the Authority is unable to effectively manage and report on the assets it holds.</p> <p>We recommend the Authority conducts an exercise to produce a full listing of assets held within the IT equipment, intangible and heritage asset categories. All assets should be assessed for impairment to ensure that the valuations held within the financial statements are materially correct.</p>	<p>Accepted</p> <p>We will conduct an exercise to produce a full listing of IT equipment. Whilst we have in recent years reviewed heritage assets we will conduct further review.</p> <p>Action by: Chief Accountant</p> <p>Due date: 31 March 2018</p>

Appendix One

Key issues and recommendations (cont.)

We have followed up the recommendations from the prior year's audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
4	2	2

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at October 2017
Financial statements				
1	2	<p>Valuation Frequency and Timing</p> <p>While the Authority is moving to a programme of rolling valuation from 2015/16, up until this point the Authority obtained a full valuation of its land and buildings portfolio once every five years on 1 April for the financial year in which the valuation was accounted for.</p> <p>We recommend that the Authority should seek to obtain valuations as at 31 March to minimise the risk of potentially significant changes in valuation during the course of the financial year, either impairments or upwards movements.</p> <p>Due to the new policy of revaluing some assets each year this creates a risk that significant asset changes for those assets not valued in that year are not recorded in the intervening period, potentially leading to material movements at the end of the revaluation cycle. As a matter of course we would recommend that as part of its annual reporting that management formally communicate to members their in-year assessment of any impairment or potential upward valuation of assets where those assets have not been subject to valuation at year end.</p> <p>This is particularly important where the Authority elects to continue to obtain valuations dated 1 April.</p>	<p>Accepted</p> <p>We will change the valuation dates to 31 March. As part of the formal annual reporting management will report to councillors their in-year assessment of any impairment or upward revaluation of assets where those assets have not been subject to valuation at year end.</p> <p>Action by: Principal Accountant and Head of Asset Management</p> <p>Deadline: 30 June 2016</p> <p>As part of the revaluation rolling programme, the valuers were instructed to value the properties which were due on the rolling programme valuation list for 2015/16 to be valued at 31 March 2016.</p> <p>Management has not reported to councillors on the in-year assessment of impairment and upward revaluation where those assets have not been subject to valuation at year end.</p> <p>Specific consideration should be given to management reporting to councillors in 2016/17.</p> <p>Action by: Principal Accountant and Head of Asset Management</p> <p>Revised deadline: 30 June 2017</p>	<p>Management Response: Action agreed outstanding.</p> <p>Action by: Chief Accountant in partnership with Commercial Property Manager</p> <p>Due date: 1 March 2018</p>

Appendix One

Key issues and recommendations (cont.)

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at October 2017
Financial statements				
2	3	<p>Timeliness of reconciliations</p> <p>During our testing of payroll controls it was noted that reconciliations are not being prepared and reviewed in a timely manner.</p> <p>During our testing of cash, it was noted that reconciliations were not performed for nine months. The main cause is due to the Council not having a contingency plan in place when staff are on sick leave or unavailable.</p> <p>We recommend that the Council implement a robust plan to ensure that there is sufficient resilience within the finance team to cope with short term absences.</p>	<p>Accepted</p> <p>We will review our procedures around preparing and reviewing the reconciliations that are preformed and will look at the resilience issues within the team to cover short term absences.</p> <p>The problems around the testing of cash were not as a result of staff being unavailable or on sick leave.</p> <p>Due date: 31 December 2016</p>	<p>We reviewed two payroll reconciliations from the 2016/17 year and noted that neither had been reviewed within a month of the reconciliation being produced.</p> <p>We have therefore re-raised this recommendation to Management.</p> <p>Management Response: Action agreed outstanding. Sickness absences have impacted.</p> <p>Action by: Deputy Chief Accountant</p> <p>Due date: 30 November 2017</p>

Appendix Two

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.spelthorne.gov.uk.

2015/16 Certification of Grants and Returns (January 2017)	This letter summarised the outcome of our certification work on the Authority's 2015/16 grants and returns.
2016/17 External Audit Plan (March 2017)	The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion for 2016/17.
2017/18 Audit Fee Letter (April 2017)	The Audit Fee Letter set out the proposed audit work and draft fee for the 2017/18 financial year.
2016/17 Interim ISA260 (October 2017)	The interim ISA260 summarised the audit work completed for 2016/17 to date as at October 2017.
2016/17 Certification of Grants and Returns (January 2018)	This letter summarised the outcome of our certification work on the Authority's 2016/17 grants and returns.
2017/18 External Audit Plan (March 2018)	The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion for 2017/18.
2017/18 Report to Those Charged with Governance (July 2018)	The Report to Those Charged with Governance summarised the results of our audit work for 2017/18 as at July 2018 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.
2016/17 Report to Those Charged with Governance (February 2019)	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.
2016/17 Auditors Report (February 2019)	The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate for 2016/17.
2017/18 Certification of Grants and Returns (February 2019)	This letter summarised the outcome of our certification work on the Authority's 2017/18 grants and returns.
2016/17 Annual Audit Letter (March 2019)	This Annual Audit Letter provides a summary of the results of our audit for 2016/17.

Appendix Three

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 planned fee for the audit was £48,128 excluding VAT (£48,128 excluding VAT in 2015/16). As a result of the delays in provision of information, the poor quality of information provided and the complexity of our VFM work relating to the sale and leaseback of the BP campus, we have incurred very significant overruns on our audit costs. We will agree an additional fee with the Authority and the PSAA in due course.

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 complete. The final fee was in line with the planned fee of £7,568.

Other services

We did not charge any additional fees for other services.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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