



# Annual Audit Letter

## 2016/17

**Surrey Heath Borough Council**

13 December 2017

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments'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 Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](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 3HZ.

# Headlines

This Annual Audit Letter summarises the outcome of our 2016/17 audit at Surrey Heath Borough Council.

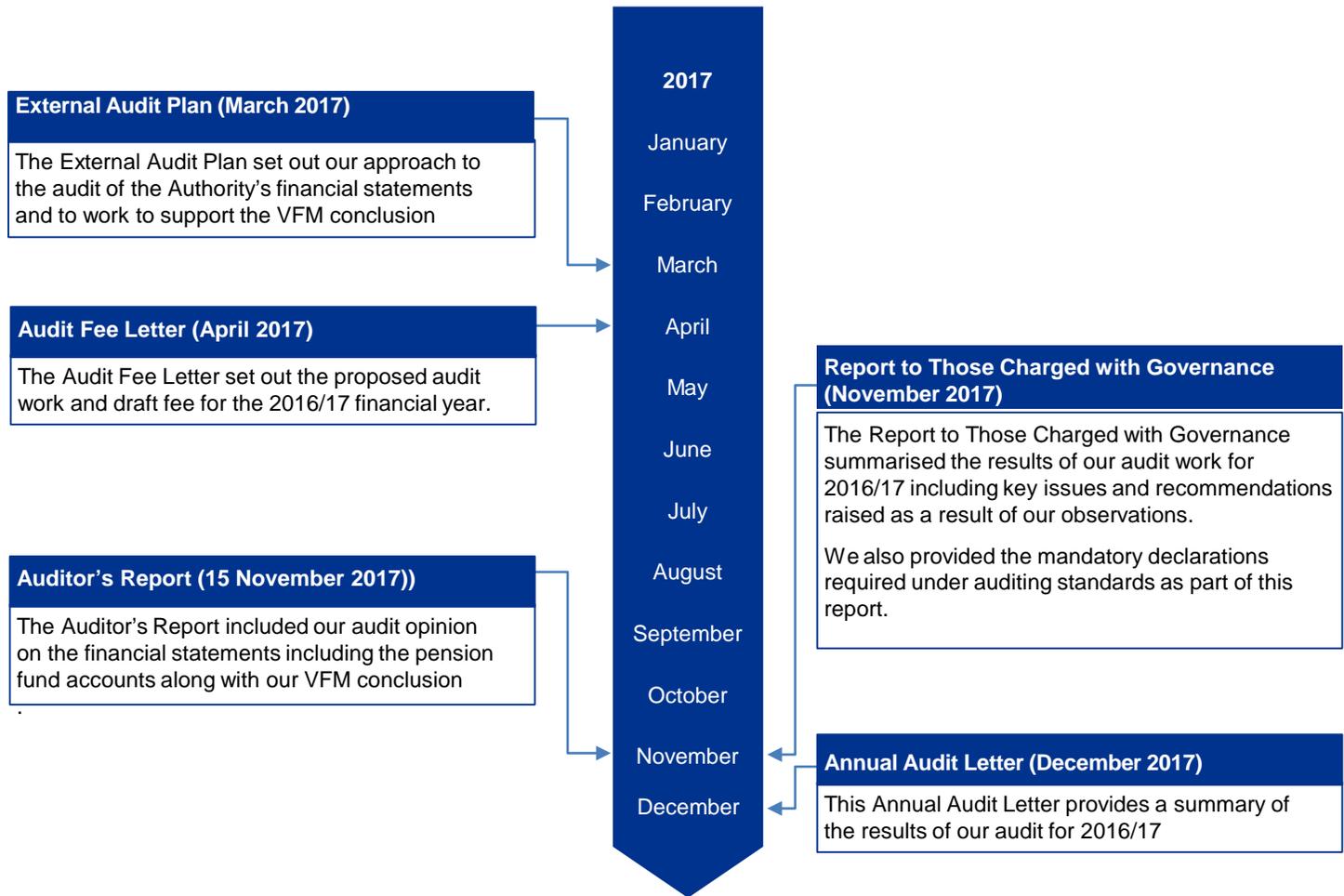
Although it is addressed to Members it is intended to communicate key messages to external stakeholders, including members of the public, and will be placed on the Authority's website.

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

<b>VFM conclusion</b>	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 15 November 2017. We are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in its use of resources. We looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.
<b>VFM risk areas</b>	We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered arrangements to mitigate these risks. We assessed whether the Authority had robust systems and processes to effectively manage risks and opportunities and to secure stable finances that enables it to operate for the foreseeable future. We reviewed the Medium Term Financial Strategy (MTFS) 2016/22 and Council minutes to support our understanding of processes followed in setting the MTFS. We analysed historical borrowing rates and reserves patterns dating back to 2012/13. Useable reserves remained static over the period at £20-£21M. Net assets fluctuate between £40-50M. This is despite significantly increased borrowing. Borrowing has financed capital expenditure, thereby matching and offsetting liabilities and assets on the balance sheet. We reviewed the budget process and assumptions such as savings estimates. This included an analysis of where the majority of savings have come from and met with key managers to discuss assumptions underpinning the MTFS. Overall we have not identified any significant concerns with the financial resilience of the Authority that would impact on our value for money conclusion.
<b>Audit opinion</b>	We issued an unqualified opinion on the financial statements on 15 November 2017. We believe the financial statements give a true and fair view of the financial position of the Group and Authority and of expenditure and income for the year.
<b>Financial statements audit</b>	There was one audit difference that was corrected relating to accruals. There were two immaterial differences relating to valuation of PPE and recognition of car park income that were not corrected. Our audit identified minor presentational amendments which have been amended.
<b>Other information</b>	We reviewed the Annual Governance Statement and concluded that it was consistent with our understanding.
<b>WGA</b>	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts (WGA) by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
<b>Recommendation</b>	We raised one high priority recommendation around preparing for earlier close in 2017/18.
<b>Certificate</b>	We issued our certificate on 15 November 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
<b>Audit fee</b>	Our fee for the audit was £41,900 excluding VAT (£41,900 excluding VAT in 2015/16). This fee was in line with that highlighted in our audit plan approved by the Standards and Audit Committee on 9 March 2017. We requested an additional fee of £6,026 excluding VAT in relation to this being the first year we are auditing your group accounts. Our fee for the certification of Housing Benefits is £8,430 excluding VAT (£11,411 excluding VAT in 2015/16).

# Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.





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