



Annual Audit Letter 2017/18

**Royal Borough of
Windsor & Maidenhead**

August 2018



Section one

Summary for Audit & Performance Review Panel

Summary for Audit & Performance Review Panel

This Annual Audit Letter summarises the outcome from our audit work at the Royal Borough of Windsor & Maidenhead ("the Authority") in relation to the 2017-18 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.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 31 July 2018. 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 pension fund.

Financial statements audit

Our audit procedures are designed to identify misstatements that are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £4.6 million which equates to around 1.7 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. Materiality for the Pension Fund was set at £25 million which is approximately 1.2 percent of gross assets.

We report to the Audit & Performance Review Panel any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.23 million for the Authority (£1.25 million for the Pension Fund).

We identified two audit adjustments to the Authority's accounts with a total value of £8.7 million. These adjustments did not impact on the General Fund.

The Authority continued the progress made following the dry run in 2016/17 and prepared the accounts to meet the earlier statutory deadlines, whilst maintaining the quality of the financial statements and working papers.

Our audit work was designed to specifically address the following significant risks:

- **Management Override of Controls** – Professional standards require us to consider the risk of management override of controls as a significant risk. Our audit methodology incorporates the risk of management override as a default significant risk. We did not identify 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. No issues were identified as a result of this work.
- **Valuation of PPE** – The Authority operates a cyclical revaluation approach to meet the Code requirement that all land and buildings be held at fair value. We considered how the Authority ensures that assets not subject to in-year revaluation are not materially misstated, as well as reviewing the basis of valuation for those assets that have been revalued. No issues were identified as a result of this work.
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We reviewed the processes in place to ensure accuracy of data provided to the Actuary and considered the assumptions used in determining the valuation. No issues were identified as a result of this work.

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Summary for Audit & Performance Review Panel (cont.)

- **Group accounts and faster close** – The Authority successfully managed the process to achieve faster close. To gain assurance over the Authority's group accounts, we obtained and reviewed the draft financial statements of the Authority's associates, Optalis and Achieving for Children (AfC), and contacted the external auditors of Optalis and AfC to seek assurance from their work on the financial statements. We identified one material audit adjustment totalling £7.7m relating to this work, where the Authority had incorrectly accounted for their share of the net assets and liabilities of the associates. This adjustment only impacted on the Group Balance Sheet.

Other information accompanying the financial statements

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.

Pension fund audit

There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report. Our audit work was designed to specifically address the following significant risks relating to the Pension Fund:

- **Valuation of hard to price investments** – The Pension Fund invests in a range of assets and funds, some of which are inherently harder to value due to there being no publicly available quoted prices. We verified a selection of investments to third party information and confirmations, with no issues being identified.
- **Valuation of the longevity hedge** – The Pension Fund has in place a longevity insurance policy with ReAssure which is recognised on the Pension Fund's Net Asset Statement. We engaged KPMG actuarial specialists to review the Barnett Waddingham model for valuing the longevity contract and agreed the appropriateness of the assumptions and the reasonableness of the valuation.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review the pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

Value for Money risk areas

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.

Our work identified the following significant matters:

- **Delivery of Budgets** – The Authority's MTFP details a balanced budget for 2018/19 including savings of £5.4 million in year, all of which have been identified. The MTFP sets out the budget assumptions and projections until 2021/22. By 2021/22 the net budget requirement is £5m greater than in 2018/19 and is reliant on increasing the council tax base by 2,400 Band D properties. As part of our additional risk-based work, we reviewed the arrangements the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. On the basis of our testing, we concluded that there were appropriate arrangements in place; and

Section one:

Summary for Audit & Performance Review Panel (cont.)

- **Contract management** – As part of its Transformation Programme, the Authority has moved to a new operating model for some services and now delivers Children’s Services and Adult Social Care through external providers such as Optalis and Achieving for Children, in which the Authority is a shareholder. We considered the arrangements in place for managing the contracts, including arrangements for monitoring the performance of the service, such as through the monthly commissioning meetings, quarterly shareholder Board meetings and Lead Member briefings. On the basis of our testing, we concluded that there were appropriate arrangements in place.

Value for Money conclusion

We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

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.

High priority recommendations

We did not raise any high priority recommendations as a result of our 2017-18 work.

Certificate

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of the Royal County of Berkshire Pension Fund with the pension fund accounts included in the financial statements of the Royal Borough of Windsor & Maidenhead. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to issue our audit certificate.

Audit fee

Our fee for 2017-18 was £81,803, excluding VAT (2017: £81,803). Our fee for the audit of the Pension Fund was £24,831 excluding VAT (2017: £33,755). Further detail is contained in Appendix 2.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

Appendices



Appendix 1:

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 & Performance Review Panel pages on the Authority's website at www.rbwm.gov.uk.

Certification of Grants and Returns

This report summarised the outcome of our certification work on the Authority's 2016-17 grants and returns.

External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements, including those of the Pension Fund, and to support the VFM conclusion.

Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 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.

Auditor's Report

The Auditor's Report included our audit opinion on the financial statements (including the pension fund accounts) along with our VFM conclusion and our certificate.

Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.

2018

January

February

March

April

May

June

July

August

September

October

Appendix 2:

Audit fees

This appendix provides information on our final fees for the 2017-18 audit.

External audit

Our final fee for the 2017-18 audit of the Authority was £81,803, which is in line with the planned fee. Our final fee for the 2017/18 audit of the Pension Fund was in line with the planned fee of £24,831. As in previous years, we have been requested to carry out additional work at the pension fund on behalf of the auditors of admitted bodies. Our fees for this additional work are £1,927 and are still subject to final determination by Public Sector Audit Appointments.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The planned fee for this work is £13,439 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

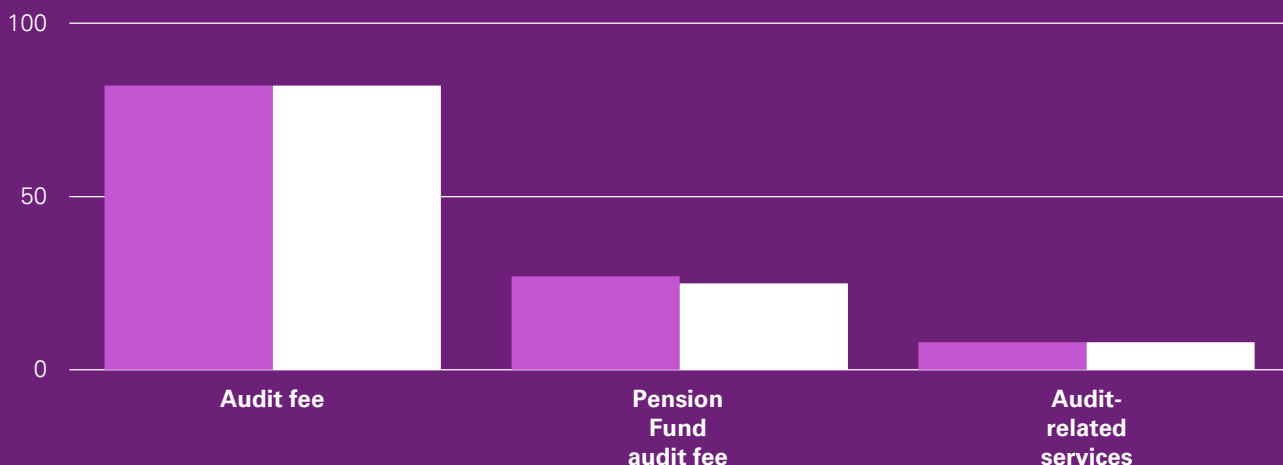
We charge £8,000 for additional audit-related services for the certification of the Teachers' Pension Return and the National College of Teaching and Leadership Annual Grant Return, which are outside of Public Sector Audit Appointment's certification regime.

Other services

We did not charge any additional fees for other services.

External audit fees 2017-18 (£'000)

■ Estimated 2017-18 Fees ■ Planned 2017-18 Fees





The key contacts in relation to our audit are:

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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, 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.

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 Ian Pennington, 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, by email to 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 by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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