



Annual Audit Letter 2017/18

Woking Borough Council

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August 2018

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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 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 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). 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.

This Annual Audit Letter summarises the outcome from our audit work at Woking Borough Council in relation to the 2017/18 audit year, which is the final year that KPMG is the auditor of the Authority.

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 30 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 include the consolidated financial statements for Authority's Group, which consists of the Authority itself, Dukes Court Owner T.S.a.r.l, Woking Necropolis and Mausoleum Limited, Thameswey Ltd, and their subsidiaries.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £3M which equates to around 2% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. We report to the Standards and Audit Committee 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 £150K for the Authority.

We identified no audit adjustments that impact the income and expenditure or net asset position.

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

- 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 procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, did not identify any instances of management override of controls.
- Valuation of PPE – The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority revalues all material properties on an annual basis and has adopted a rolling revaluation model for remaining items which sees all land and buildings revalued over a five year cycle. As a result individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. The valuation is undertaken as at 31 December 2017 and then updated to 31 March 2018. We reviewed the approach adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach. We assessed the indicators considered by the Authority's valuers to determine the whether the fair value of the assets not revalued in year had materially moved. We reviewed the movement in land and building valuation between 31 December 2017 and 31 April 2018 and assessed the judgement by the Authority with regard to these movements. As a result of our work we determined that the carrying values of the assets does not materially differ from the year end fair value.

<p>Financial statements audit <i>(continued)</i></p>	<ul style="list-style-type: none"> — Valuation of Investment Properties – The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority exercises judgement in determining the fair value of these assets and the methods used to ensure the carrying values recorded each year reflect those fair values. There is an inherent risk that some investment property assets may not have been revalued each year. We assessed the Authority’s approach to investment property valuation and confirmed that it is in line with CIPFA Code requirements. We confirmed that all investment properties were subject to valuation at year-end and we reviewed the accounting entries made to record the results of the revaluation to ensure that they were appropriate. No issues were identified as a result of our testing. — Pension liabilities – The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Surrey Pension Fund, which had its last triennial valuation as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. The valuation of the Local Government Pension Scheme relies on assumptions, most notably actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation. There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements. We reviewed the appropriateness of the key assumptions included in the valuation and compared them to expected ranges. We reviewed the methodology applied in the valuation by Hyman Robertson. No issues were identified as a result of our testing.
<p>Other information accompanying the financial statements</p>	<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. 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>
<p>Whole of Government Accounts</p>	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority’s pack was consistent with the audited financial statements.</p>
<p>Value for Money conclusion</p>	<p>We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2017-18 on 30 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.</p>
<p>High priority recommendations</p>	<p>We raised no high priority recommendations as a result of our 2017-18 work.</p>
<p>Certificate</p>	<p>We issued our certificate on 30 July 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>

Section one

Headlines

Audit fee	Our fee for 2017-18 was £54,702, excluding VAT (2016/17: £54,702). This fee was in line with that highlighted in our audit plan approved by the Standards and Audit Committee in 8 March 2018.
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.

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 Standards and Audit Committee pages on the Authority's website at www.woking.gov.uk.

External Audit Plan (February 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.

Auditor's Report (July 2018)
The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

Annual Audit Letter (August 2018)
This Annual Audit Letter provides a summary of the results of our audit for 2017/18.



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.

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 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.



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