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# Annual Audit Letter 2013/14

**Blackpool Council**

28 October 2014



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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. 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 Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), the appointed engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. If you are 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, 1<sup>st</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 444 8330.

**This report summarises the key findings from our 2013/14 audit of Blackpool Council (the Authority).**

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

**Our audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 VFM conclusion.**

**We provide a summary of our recommendations in Appendix 1.**

**All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.**

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 25 September 2014. 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>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 25 September 2014. 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.</p>
<b>Financial statements audit recommendations</b>	<p>To comply with auditing standards, we are required to report uncorrected audit differences to the Finance and Audit Committee. We are pleased to report there are no uncorrected audit differences.</p> <p>We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.</p> <p>Our audit identified one audit adjustment with a value of £5.3 million. This relates to the disposal of a new build Academy which was not identified as a disposal on the Fixed Asset Register. The Authority have since incorporated this process into their existing controls. A medium priority recommendation in respect of this issue is detailed in Appendix 1.</p> <p>We are pleased to report all prior year recommendations have been addressed.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
<b>Whole of Government Accounts</b>	<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>
<b>Certificate</b>	<p>We issued our certificate on 30 September 2014 .</p> <p>The certificate confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
<b>Audit fee</b>	<p>Our fee for 2013/14 was £145,800, excluding VAT. The fee was unchanged from 2012/13.</p>

## Appendix 1: Key issues and recommendations

This appendix details the recommendation that we identified during our 2013/14 audit, along with your response.

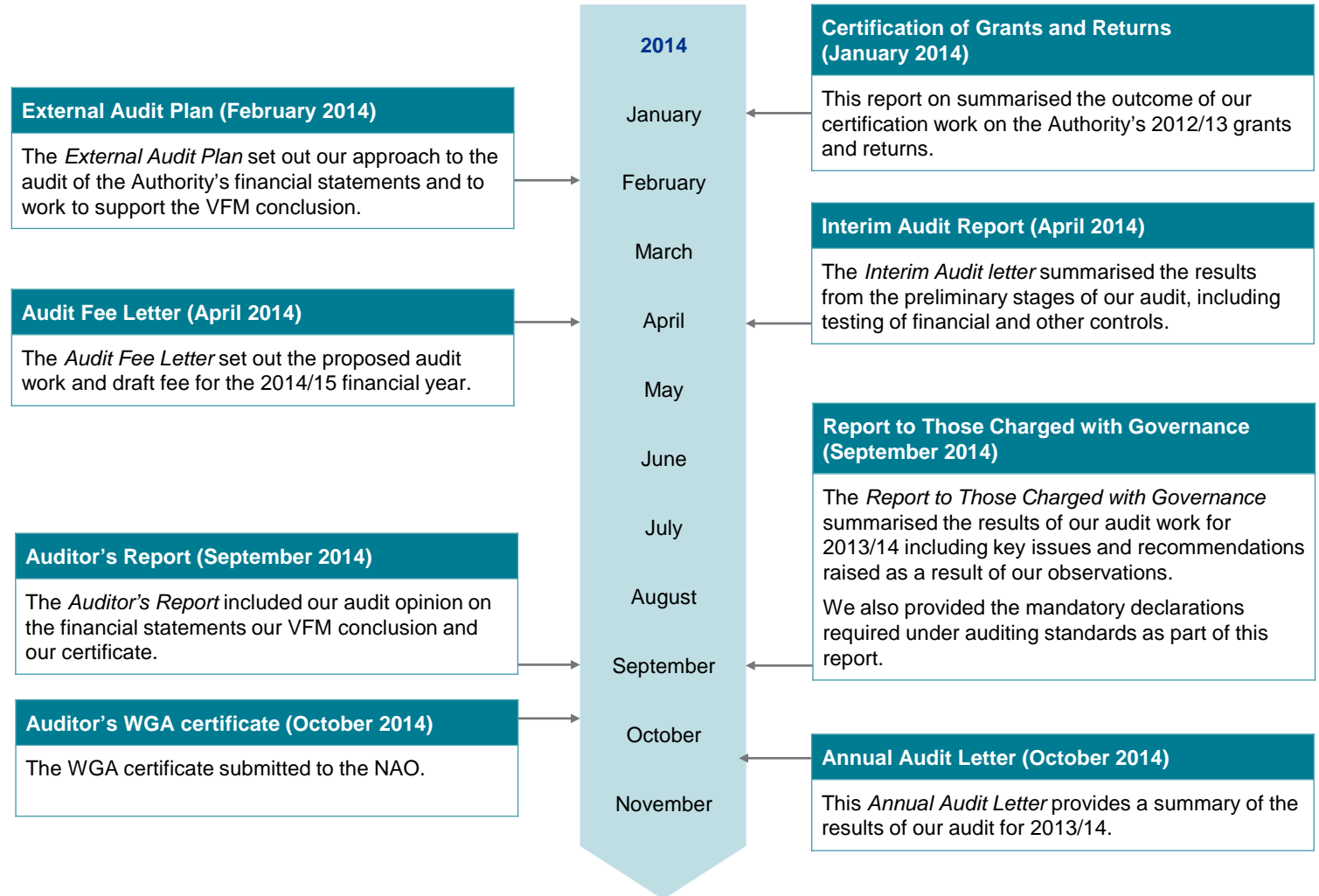
This is also detailed in our ISA 260, the date this was issued is listed in Appendix 2.

Priority rating for recommendations		
<p><b>1</b> <b>Priority one:</b> 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.</p>	<p><b>2</b> <b>Priority two:</b> 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.</p>	<p><b>3</b> <b>Priority three:</b> 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.</p>

No.	Issue and recommendation	Management response/ responsible officer/ due date
<p><b>1</b></p> <p><b>2</b></p>	<p><b>Disposing of new build Academies</b></p> <p>It was identified through our testing of Property, Plant and Equipment (PPE), that a new build Academy opened during the year was incorrectly classified as an Asset under Construction. The Academy should no longer be categorised on the balance sheet and should be treated as a fixed asset disposal in the Comprehensive Income and Expenditure Account (CIES).</p> <p>Although the Authority has a process to ensure new Academies are recognised and appropriately disposed of on the balance sheet, this Academy was overlooked due to being a new build as opposed to a converted school.</p> <p><b>Recommendation</b></p> <p>The Authority need to ensure existing controls around the disposal of converted Academies incorporate the disposal of new build Academies.</p>	<p>The Authority accepts this recommendation and will amend the year end disposal procedures to include new build Academies.</p> <p><b>Responsible officer</b></p> <p>David Fish</p> <p><b>Due date</b></p> <p>31 March 2015</p>

## Appendix 2: 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 2013/14.**

To ensure openness between KPMG and your Finance and Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

#### **External audit**

Our final fee for the 2013/14 audit of the Authority will be £146,870. This represents:

- the agreed £145,800 audit fee notified to the Council in our fee letter of 23 April 2013; and
- an additional fee of £1,070 for the additional work undertaken on the Council's non-domestic rates balances in lieu of certifying the LA01 national non-domestic rates return as in previous years. This balance has been agreed with management, but also requires approval from the Audit Commission which will be sought in due course.

For 2014/15 this audit fee will remain unchanged. This has been agreed by the Audit Commission.

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

Our grants work is still ongoing and the fee will be confirmed through our report on the Certification of Grants and Returns 2013/14 which we are due to issue in January 2015.



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