



cutting through complexity

Annual Audit Letter 2014/15

Blackpool Council

October 2015

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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 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 Trevor Rees, the 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 PSA's complaints procedure by emailing generalenquiries@psa.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 report summarises the key findings from our 2014/15 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 2014/15 financial statements and the 2014/15 VFM conclusion.

<p>VFM conclusion</p>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 28 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
<p>VFM risk areas</p>	<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 one significant matter, the Authority's savings plans. We reviewed the savings made by the Authority in 2014/15 and confirmed that 100% of the intended savings had been delivered. We also confirmed that there were plans in place to meet the full 100% of the savings requirement for 2015/16, and that these plans were on schedule to be fully delivered by the year-end. We also reviewed the medium term financial plan which runs to 2017/18, and assessed the method for its compilation and the assumptions contained within it were reasonable.</p>
<p>Audit opinion</p>	<p>We issued an unqualified opinion on the Authority's financial statements on 28 September 2015. 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 subsidiary companies including Blackpool Transport, Blackpool Coastal Homes, Blackpool Entertainment Company and Blackpool Operating Company (Sandcastle Waterpark).</p>
<p>Financial statements audit</p>	<p>Our audit of the Authority identified one significant risk as required by auditing standards, the risk of management override of control. Our audit methodology addresses this risk through the testing of controls and substantive procedures over journals, accounting estimates and significant unusual transactions. The other standard risk identified by professional standards, the fraud risk of revenue recognition, was rebutted as we did not identify an incentive to fraudulently recognise revenue.</p> <p>We also identified three areas of other audit focus, these being payroll, property, plant and equipment and cash. We completed our work in these areas and found no significant issues.</p>
<p>Annual Governance Statement</p>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

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

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

Whole of Government Accounts	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.
High priority recommendations	<p>We raised no high priority recommendations as a result of our 2014/15 audit work. There were also no high priority recommendations raised in 2013/14 to follow up.</p> <p>Three medium graded recommendations were made and are detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up these recommendations as part of our 2015/16 work.</p>
Certificate	We issued our certificate on 28 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2014/15 was £146,870, excluding VAT. This was the scale fee set by the Audit Commission and is consistent with 2013/14.

Appendix 1: Key issues and recommendations

This appendix summarises the medium priority recommendations that we identified during our 2014/15 audit, along with your responses to them.

Low priority recommendations are contained in our other reports, which are listed in Appendix 2.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Payroll reconciliation segregation of duties</p> <p>It was identified from review of the monthly payroll reconciliations, the same individual prepares and authorises the reconciliation. There is a risk that the payroll inaccuracies are not being followed up correctly along with a risk of fraud with no segregation of duties being identified.</p> <p>Recommendation</p> <p>We recommend that the Authority implement a segregation of duties during this reconciliation. We are aware the initial preparer left the Authority last year and that finance are aware of this issue.</p>	<p>Management response</p> <p>We are aware of this issue. However, with reduced levels of staff, segregation of duties is proving more difficult. This situation will worsen in future years due to the forecast levels of cuts required. We will review the procedures for 2015/16.</p> <p>Responsible officer</p> <p>Phil Redmond</p> <p>Due date</p> <p>March 2016</p>

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2	<p>Disabling leavers on finance system</p> <p>From the IT review of the finance system, seven leavers were identified as having left the Authority but had not had their access to the finance system disabled. Although we have gained assurance that these leavers were removed in a timely basis, there is a risk that leavers can access confidential information after they have left.</p> <p>Recommendation</p> <p>We understand that finance has strengthened its procedures for reviewing the list of leavers provided by HR to ensure all leavers with finance system access are identified.</p> <p>However, we recommend that the Authority examine the issue of system access on an Authority-wide basis to identify a way for system administrators to be notified of leavers with access to their system automatically, removing the need for these administrators in finance, and other departments of the Authority, to individually scan review lists of all members of staff who have left the Authority and identify those that are relevant to their system. This will make the process more efficient for the Authority as a whole.</p>	<p>Management response</p> <p>A review of the financial systems procedures have taken place and procedures have been strengthened to prevent this occurring in future. However, we welcome KPMG's proposal for an Authority-wide review to identify ways to make the process more efficient.</p> <p>Responsible officer</p> <p>Carmel McKeogh / Tony Doyle</p> <p>Due date</p> <p>March 2016</p>

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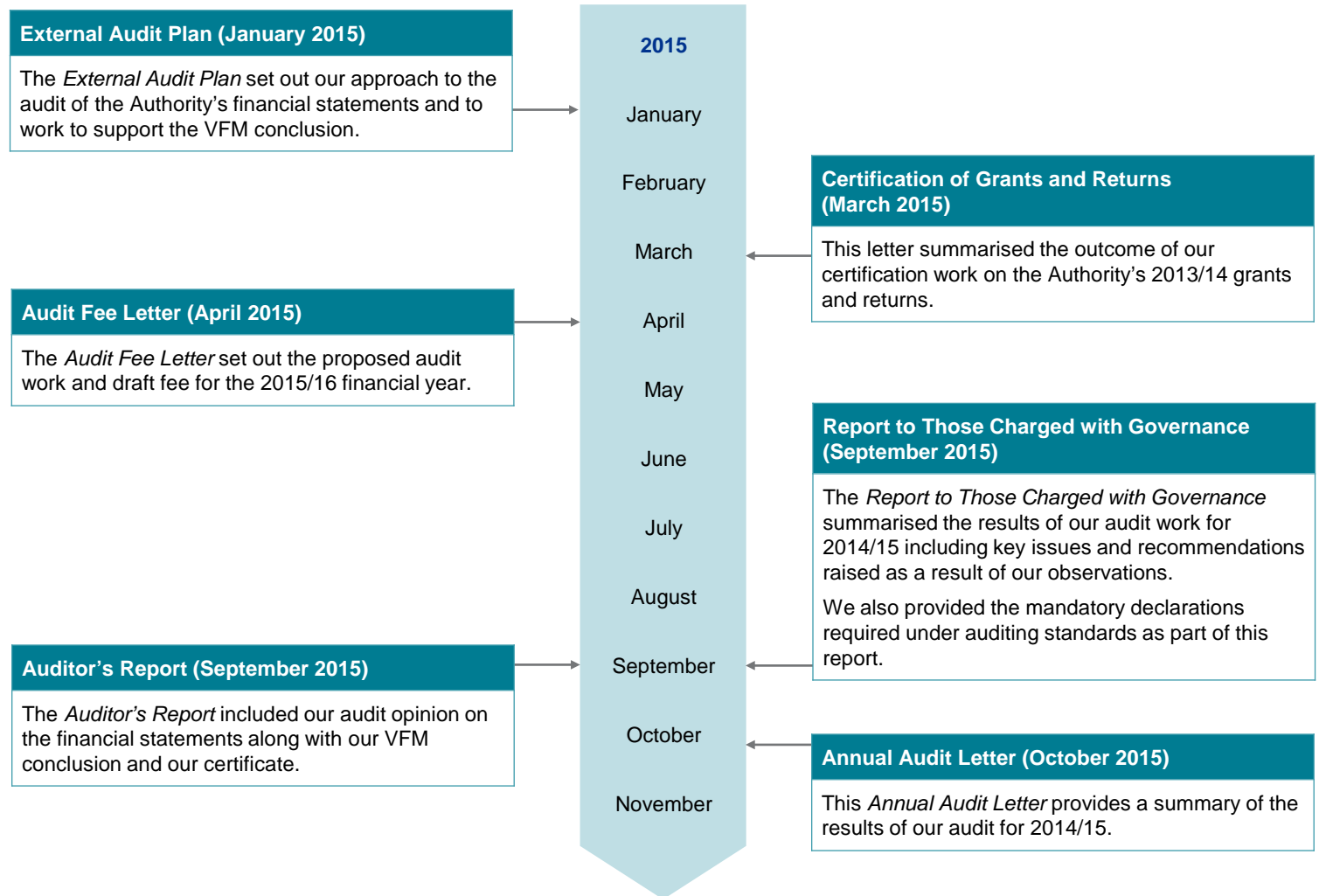
No.	Issue and recommendation	Management response / responsible officer / due date
3	<p>Recognition of school assets</p> <p>New accounting guidance was issued by CIPFA on the recognition of voluntary aided schools in local authority balance sheets. We reviewed the status of the voluntary aided schools identified in the Council's balance sheet.</p> <p>Of these, there were two schools (St John Vianney and St Kentigerns, both Catholic primary schools) that, in our interpretation of the guidance, should not be recognized by the Council. This is because the Lancaster Diocese has not relinquished the rights its ownership of the school conveys.</p> <p>There is a risk that the Authority have overstated assets by recording long-term school assets to which the Council does not have the risks and rewards of ownership.</p> <p>Recommendation</p> <p>We recommend the Authority reviews its accounting treatment of the two schools affected, and considers whether a change in accounting treatment should be adopted in the 2015/16 financial statements.</p>	<p>Management response</p> <p>These schools were brought onto the balance sheet in 2001/02 on the instruction of the Audit Commission. Although the assets are not owned by the Authority, we believe that the Authority receives economic benefits and future provision of service. Therefore they remained on the balance sheet. We will review the accounting treatment of these schools in 2015/16.</p> <p>Responsible officer</p> <p>Phil Redmond / David Fish</p> <p>Due date</p> <p>March 2016</p>

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against the medium priority audit recommendation made in 2013/14. We are pleased to report that the Authority has taken appropriate action to address the issue.

Appendix 2: Summary of reports issued

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





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