



Wyre Borough Council
Date of Publication: 5 March 2018
Please ask for : Democratic Services
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Audit Committee Agenda

**Audit Committee meeting on Tuesday, 13 March 2018 at 6.00 pm
in the Civic Centre, Poulton-le-Fylde**

1. **Apologies for absence**
2. **Declarations of interest**

Members will disclose any pecuniary and any other significant interests they may have in relation to the matters under consideration.
3. **Confirmation of minutes** (Pages 1 - 4)

To approve as a correct record Minutes of the last meeting of the Audit Committee held on 21 November 2017.
4. **Review of Audit Committee's Terms of Reference** (Pages 5 - 8)

Report of the Head of Finance (Section 151 Officer).
5. **Internal Audit Strategy and Audit Plan 2018/19** (Pages 9 - 14)

Report of the Head of Finance (Section 151 Officer).
6. **Certification of claims and returns 2016/17** (Pages 15 - 18)

Letter from the Council's External Auditors – KPMG.
7. **External Audit Plan 2017/18** (Pages 19 - 40)

Report of the Council's External Auditors – KPMG.
8. **Housing and Council Tax Benefit Claim for year ending 31 March 2017** (Pages 41 - 44)

Letter from the Council's External Auditors – KPMG.
9. **Periodic Private Discussion of Chief Internal Auditor**

10. Time and date of next meeting

Tuesday 8 May 2018 at 6pm, in the Council Chamber.



Audit Committee Minutes

Minutes of the meeting of the Audit Committee of Wyre Borough Council held on Tuesday 21 November, 2017 at the Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillor R Amos	Councillor Ingham
Councillor E Anderton	Councillor McKay
Councillor Ballard	Councillor Moon
Councillor Greenhough	Councillor Raynor
Councillor Holden	Councillor A Turner

Apologies: Councillors' Balmain, Barrowclough and Wilson. Apologies for absence were also received from A Latham and C Paisley (KPMG, External Auditors).

Officers present:

C James – Head of Finance/Section 151 Officer
J Billington – Head of Governance
K McLellan – Senior Auditor
R Saunders – Democratic Services and Scrutiny Manager

Non-members present:

Councillor I Amos

Members of the public present: None

Cllr McKay arrived late because of traffic congestion and so the Vice Chairman (Cllr Turner) chaired the full meeting.

AUDIT. 29 DECLARATIONS OF INTEREST

Councillor Moon declared an interest in the Gifts and Hospitality register item as he was named on the list as having gifted items.

AUDIT. 30 CONFIRMATION OF MINUTES

The minutes of the Audit Committee meeting held on 19 September 2017 were confirmed as a correct record.

AUDIT. 31 ANNUAL REVIEW OF AUDIT COMMITTEE'S PERFORMANCE

The Head of Finance (Section 151 Officer) submitted a report on the annual review of the Committee's performance.

The Head of Governance explained how the annual review process was carried out, including the use of questionnaires, group discussions and 1-2-1 sessions with individual members of the Committee (only two of which were now outstanding). Having undertaken those processes, she and the Head of Finance had also completed the self-assessment check-list form, attached as Appendix 1 to the report. That check-list confirmed that the Committee largely met the best practice guidance. Only two areas for improvement had been identified, which related to improved identification and delivery of training for councillors (listed as actions under paragraph 12 of Appendix 1).

Members of the committee confirmed that their individual 1-2-1 sessions with the Head of Governance or the Senior Auditor, although time consuming for the officers, had been useful. The Head of Governance said, in response to the comments made, that she would make arrangements to facilitate a group session on future training needs for Audit members immediately prior to the Committee meeting in August 2018 and then arrange further 1-2-1 sessions with individual members after that, if necessary.

RESOLVED:

- (1) That the report of the Head of Finance (Section 151 Officer) and the comments made by the Head of Governance be noted.
- (2) That the responses and comments made in the completed self-assessment of good practice form, attached as Appendix 1 of the report, be endorsed, and the following proposed actions be approved:-
 - (a) A new questionnaire specific to Audit Committee members and separate questionnaires for members of other committees to identify their current level of knowledge would be devised, to be ready for use with all councillors immediately after the 2019 election;
 - (b) Appropriate training would then be provided to address any knowledge and skills gaps identified.

AUDIT. 32 INTERNAL AUDIT AND RISK MANAGEMENT – PROGRESS REPORT

The Head of Finance (Section 151 Officer) submitted a report on Internal Audit and Risk Management activity and progress on actions arising from the Annual Governance Statement 2016/17.

The Senior Auditor introduced the report, which provided information on:

- the delivery of the Internal Audit Plan (Appendix 1);
- progress on Risk Management (Appendix 2);
- the implementation of actions arising from the Annual Governance Statement for 2017/18 (Appendix 3).

With regard to Internal Audit activity, the Senior Auditor said that all the audits completed since June 2017 had resulted in a “good” opinion being issued. She advised that the review of the YMCA had been conducted to obtain an understanding of their internal processes and procedures, which were regularly reviewed by their Treasurer and then externally audited. In view of that, no detailed testing had been carried out and, whilst a full report had not been issued, potential service improvements had been discussed and were to be implemented.

With regard to compliance with delegated authorities, the Senior Auditor said that the areas for improvement identified in the audit related to relatively minor procedural issues, rather than fundamental breaches of procedure and arrangements were already being made to tighten up the relevant processes. The Head of Governance said that three training sessions had been provided to report authors which had been effective in improving knowledge and understanding of the Council’s constitution and a further mop-up session was now planned.

With regard to information governance issues, the Head of Governance said that a significant amount of work would be required in the coming months to ensure that the Council was in a position to comply with the requirements of General Data Protection Regulations which would come in to effect from May 2018. Plans for the implementation process had been drawn up and were about to be delivered across the organisation.

The Senior Auditor referred to an executive summary of the Council’s current strategic risks. She said that the next full review of strategic risks would be carried out with the Corporate Management Team in February 2018. Councillor McKay, in her capacity as risk champion for the Audit Committee, would be invited to participate and members should use her as a conduit for any suggestions or concerns. The Senior Auditor reminded Members that strategic risks were those which would impact on the ability of the Council to deliver its Business Plan. Mitigation measures would be identified for any risks above a specified threshold. The Head of Governance said that a report would be submitted to a future meeting of the Committee if any significant changes were made to the strategic risks register.

The Head of Governance said that generally, good progress was being made on actions arising from the Annual Governance Statement 2017/18, as listed in Appendix 3.

RESOLVED: That the Internal Audit and Risk Management Progress Reports and the Annual Governance Action Plan Update be noted.

AUDIT. 33

ANNUAL REVIEW OF COUNCIL’S COUNTER FRAUD POLICIES – ANTI FRAUD, CORRUPTION AND BRIBERY, WHISTLE BLOWING, ANTI MONEY LAUNDERING AND GIFTS AND HOSPITALITY AND REGISTERING INTERESTS

The Head of Finance (Section 151 Officer) submitted a report on the Annual Review Of Council’s Counter Fraud Policies: Anti Fraud, Corruption and Bribery; Whistle Blowing; Anti Money Laundering; and Gifts And Hospitality and Registering Interests.

The Head of Governance introduced the report and highlighted the proposed amendments to the policies listed in Section 5 of the report. She said that Anti-Fraud, Corruption and Bribery Policy was an over-arching policy, supported by the three other policies listed.

As previously agreed by the Committee, paper copies of the policies had not been printed with the agenda, but links had been included in the reports to enable them to be viewed electronically.

The Head of Finance then gave members an overview of the Anti-Money Laundering Policy changes for which a hard copy had been provided. Key changes were highlighted and it was reported that the activation of the policy during the year had been a successful test of the process.

RESOLVED:

That the revised versions of the following policy documents, including the amendments set out in paragraphs 5.1 to 5.6 of the report of the Head of Finance (Section 151 Officer), be approved:

- Anti-Fraud, Corruption and Bribery Policy;
- Whistleblowing Policy;
- Anti-Money Laundering Policy;
- Gifts and Hospitality and Registering Interests Policy.

AUDIT. 34 ANNUAL AUDIT LETTER 2016/17

The Head of Finance (Section 151 Officer) submitted a copy of the Annual Audit Letter 2015/16 prepared by the Council's external auditors KPG. She said that it was a mandatory requirement for the external auditors to submit such a report. It was essentially a high-level summary of work carried out during the year and the issues referred to had all previously been reported to the Committee in more detail.

RESOLVED: that the Annual Audit Letter for 2016/17 from the External Auditor's KPMG, be noted and published on the Council's website.

AUDIT 35 TIME AND DATE OF NEXT MEETING

Tuesday 13 March 2018 at 6pm in the Council Chamber.

The meeting started at 6pm and finished at 6.58pm

Date of Publication: 12 December 2017

arm/audit/mins/17/2111

Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	13 March 2018	4

Review of Audit Committee's Terms of Reference

1. Purpose of report

- 1.1 The periodic consideration of the terms of reference of the Audit Committee in accordance with best practice guidance.

2. Outcomes

- 2.1 The annual review of the Audit Committee terms of reference.

3. Recommendations

- 3.1 That the Audit Committee considers the previously agreed terms of reference attached at Appendix 1 and agree that they accurately reflect the role of the committee.
- 3.2 That the terms of reference be recommended to full Council for approval.

4. Background

- 4.1 Audit Committees are a key component of corporate governance. Their overall purpose being to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.
- 4.2 In 2013, CIPFA issued practical guidance for Audit Committees and provided local authorities with a suggested term of reference setting out the purpose and the core functions required. The terms of reference state that 'The purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes'.

5. Key Issues and proposals

- 5.1 At the last meeting of the Audit Committee, members considered the annual review of the committee's performance against the 'self-assessment of good practice' which is documented in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'. The self-assessment requires that an annual review of the Audit Committees' terms of reference be completed.

5.2 Since its last review in March 2017, there have been no changes necessary to the Audit Committee's terms of reference; however, CIPFA are in the process of reviewing current guidance, which will be published later in the year.

5.3 The current terms of reference are included for consideration at Appendix 1.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Any changes to the terms of reference would be subject to confirmation by full Council.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
data protection	x

report author	telephone no.	email	date
Joanne Billington	01253 887372	Joanne.billington@wyre.gov.uk	28 February 2018

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Audit Committee Terms - Terms of Reference

Audit Committee - Terms of Reference

7.01 Purpose

Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The Audit Committee will have regard to relevant government guidance, the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and any other relevant body and members shall receive training appropriate for this role.

Core Functions

The Council will appoint an Audit Committee independent from both the Executive and the Overview and Scrutiny function and will have the following core functions:

- To be satisfied that the Council's Annual Governance Statement properly reflects the risk environment, any actions required to improve it and demonstrates how governance supports the achievement of the authority's objectives;
- In relation to the council's internal audit functions, the Audit Committee will oversee its independence, objectivity, performance and professionalism, support the effectiveness of the internal audit process and promote the effective use of internal audit. This will involve consideration of the annual audit plan, the receipt of regular reports detailing progress against the plan and the annual report;
- To review the risk profile of the organisation and consider the effectiveness of the council's risk management arrangements. This will involve monitoring the progress of embedding risk management, reviewing the council's risk registers and other assurances provided, ensuring that action is being taken where necessary to mitigate such risks;
- To monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the council's exposure to the risks of fraud and corruption. This will involve maintaining and making changes where needed to the council's counter fraud policies;
- To consider the reports and recommendations of external audit, including the auditor's report to those charged with governance (ISA 260) on issues arising from the audit of the accounts;

- To review the financial statements, external auditor's opinion and reports to members and to monitor management action in response to issues raised by External Audit;
- To support effective relationships between internal and external audit, inspection agencies and other relevant bodies and encourage the active promotion of the value of the audit process;
- To undertake the annual review of the council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), ensuring compliance with the Code of Practice; and
- To maintain and make changes to the council's Financial Regulations and Financial Procedure Rules (without reference to full council).

arm/audit/cr/18/1303jb1

Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	13 March 2018	5

Internal Audit Strategy and Annual Audit Plan 2018/19
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1. Purpose of report

1.1 To review the Internal Audit Strategy And annual Audit Plan for the 2018/19 financial year.

2. Outcomes

2.1 An approved Internal Audit Strategy that sets out how the Internal Audit Team will implement the Audit Plan which is designed to take account of the characteristics and relative risks of the Council’s activities.

3. Recommendations

3.1 Members are asked to approve the Internal Audit Strategy and Annual Audit Plan attached at Appendices 1 and 2.

4. Background

4.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.2 Professional standards for Internal Audit in local government specify that “The Chief Audit Executive (the Head of Governance) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.” The standards also specify that “The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must be incorporated or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.”

4.3 In accordance with the standards and a change to previous years, a new Internal Audit Strategy has been developed and incorporated into the risk-based plan. Both documents are attached to this report.

- 4.5 Although the plan is specific, it is important to note that it is flexible and should any new risks materialise following the operational risk workshops, consideration will be given to making changes to this plan. The Audit Committee will be informed of any changes.

5. Key Issues and proposals

- 5.1 The Internal Audit Strategy and Annual Audit Plan for the 2018/19 financial year is attached at Appendices 1 and 2.

Financial and legal implications	
Finance	Key financial system audits are reviewed on a rolling basis. Full system based audits are normally completed every two – three years.
Legal	This will ensure good governance and probity.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
data protection	x

report author	telephone no.	email	date
Joanne Billington	01253 887372	Joanne.billington@wyre.gov.uk	28 February 2018

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 - Internal Audit Strategy

Appendix 2 - Annual Audit Plan 2018/19

arm/audit/cr/18/1303jb2

Internal Audit Strategy

1.0 Internal Audit Strategy

- 1.1. This strategy is the high level statement of how the internal audit service will be developed and delivered in accordance with its approved terms of reference (the Audit Charter) and how it links to the council's organisational objectives and priorities.

2.0 Service Purpose

- 2.1 The key purposes of the internal audit service are to:

- provide the council with independent assurance regarding the effectiveness of its systems of risk, governance and internal control;
- support the council in delivering organisational change and its development programme; and
- help the council secure and demonstrate value for money throughout its activities.

3.0 Strategic Aims and Objectives

- 3.1 Internal audit's strategic aims and objectives are defined as:

- promoting and helping develop standards of risk management throughout the council's operations;
- contributing to improving standards of internal control and governance within the authority and its key partnerships;
- developing the corporate 'assurance framework' and coordinating the capture and reporting of sources of assurance;
- developing and supporting managers in the management of risk;
- working closely with the council's corporate compliance team to develop programmes of work to combat and reduce the risk of fraud;
- supporting the council in identifying efficiencies and achieving value for money in service delivery; and
- continuing to develop the scope, robustness and effectiveness of internal audit's assurance work.

4.0 Identifying and Accommodating Significant Local and National Issues and Risks

- 4.1 Emerging local and national issues that might warrant internal audit attention will primarily be identified through:

- contributing to the development, updating and monitoring of the assurance framework;
- reviewing the business plan and individual service plans;
- carrying out strategic and operational risk workshops; and
- regular consultation and liaison with Corporate Management Team, other statutory officers, Heads of Service and the Council's External Auditors.

- 4.2 This approach will seek to ensure that significant risks are adequately identified, assessed and evaluated in terms of the level of assurance necessary and already available, and will involve:
- tracking corporate policy / priority developments and the decisions taken by the authority's decision-making bodies;
 - regular consultation with the Corporate Management Team, Heads of Service and the Audit Committee Chairman;
 - regular liaison with other review bodies, especially the Council's external auditor;
 - liaison with/considering the approach and work programmes of other internal review bodies, for example the Overview and Scrutiny function;
 - liaison with other local government auditors and active participation in local/regional professional groups;
 - consideration of key corporate risks; and
 - maintaining a professional focus and taking advantage of opportunities for professional updates/development, including continuous professional development for key staff, where appropriate.
- 4.3 The annual risk-based audit plan seeks to provide assurance in areas of significant risk where alternative sources of assurance are not readily available. Typically this will tend to focus on the auditing of "underlying risks", being those risks which are not being addressed by a current corporate or service-based project or initiative. The plan will be reviewed and updated on a rolling basis to accommodate any emerging significant risks and assurance needs identified through an ongoing review of the assurance framework.
- 4.4 Internal audit activity may involve any one, or a combination of the following:
- a specific piece of internal audit assurance work;
 - efficiency / VFM or support work directed at improving the efficiency of existing procedures and/or standards of governance and control;
 - contributing to corporate groups / projects / reviews (officer and/or Member based) established for a given purpose / objective.

Category of Audit	Total Days	Head of Governance	In House Days	Lancashire County Council Days
General / Meetings / Training / Non-Chargeable				
Lancashire County Council Audit Management	5		5	
Audit Committee (Preparation of report / attendance at meetings)	20	15	5	
North West Chief Internal Audit Group Meetings / CIPFA North West Regional Meetings	5	5		
Corporate Meetings / Senior Leadership Team Meetings / Team Briefs	25	20	5	
Annual / Quarterly Planning of Audit Work	4	2	2	
Training and Development (courses / seminars)	4	2	2	
Annual Governance Statement (preparation / monitoring)	5	5		
General Audit Advice and Liaison	18	5	13	
Audit Contingencies				
Contingency for Investigations / Whistleblowing	20	10	10	
IT Audits				
SOCITM - Follow up	10.5	0.5	10	
Financial Systems Audits				
Housing Benefit Overpayments	10.5	0.5		10
Payroll - HR21 Overtime	10.5	0.5		10
Cross Organisational Work				
Follow-up work from 2017/18 audit plan (random sample)	10.5	0.5		10
GDPR Compliance work (Data Sharing, Privacy Impact Assessments, Privacy Notices)	30.5	0.5	30	
Health & Safety	10.5	0.5	10	
Operational / Core Audit Work (driven from risk registers)				
CCTV - Compliance with the new GDPR	10.5	0.5	10	
Building Maintenance	10.5	0.5	10	
Street Cleansing Service	10.5	0.5	10	
Licensing	10.5	0.5		10
New MOT Station / Copse Road Depot	5.5	0.5	5	
Car parking - new machines	5.5	0.5	5	

GoCardless	5.5	0.5	5	
Critiqon Mail Service	5.5	0.5	5	
Homelessness Reduction Scheme	10.5	0.5	10	
Community Infrastructure Levy	10.5	0.5	10	
New Money Laundering Regulations	4	1	3	
Dog Warden contract (shared work with Lancaster City Council)	5.5	0.5	5	
Strategic Work (driven from Business Plan / Strategic risk registers)				
Grant Management	10.5	0.5	10	
Project Management	10.5	0.5	10	
Better Care Fund	10.5	0.5	10	
Other Areas of Work / Project Work				
Risk Management (Facilitation of strategic and operational workshops)	17	2	15	
PSIAS Review – moderation / preparation / completion of assessment for Chorley and South Ribble	13	8	5	
Maintaining Gifts and Hospitality Register / Promotion	2	2		
Lancaster City Council (Chief Internal Auditor role)	50	50		
Other Head of Governance Responsibilities (Inc. Data Protection Officer work)	80	80		
Anti-Fraud and Corruption / Bribery Act (Development / Awareness / Monitoring)	3	3		
GRAND TOTAL	480	220	220	40

NOTES

This plan is influenced by information contained within the Council's Strategic / Operational Risk Registers, Business Plan, Internal Audit intelligence and the Council's Annual Governance Statement. Lancashire Audit Services will provide a total of 40 audit days and this will be supplemented by in-house audit skills.

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Private & confidential

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Our ref Let-HF/2018/WBC/Grts

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13 February 2018

Dear Clare,

Wyre Borough Council - Certification of claims and returns - annual report 2016/17

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2016/17.

In 2016/17 we carried out certification work on only one claim/return, the Housing Benefit Subsidy claim. The certified value of the claim was £30.758 million, and we completed our work and certified the claim on 29 November 2017.

Matters arising

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our work identified one issue, which resulted in a qualification to our certification of this claim. Testing of a sample of cases drawn from the Rent Allowances population identified one case where the Authority had calculated claimant earnings incorrectly, based on the prime documents available, resulting in an overpayment of benefit to the claimant. The effect of this error was to overstate cell 102 of the claim form (Total expenditure related to cases not requiring referral to the rent officer) by a total of £30.36, with a corresponding understatement of cell 113 (LA error and administrative delay overpayments).

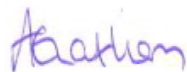
Additional testing in line with the PSAA HBCOUNT methodology identified three further instances of this error, with one case resulting in an overpayment of benefit. Since we were unable to conclude, following completion of this additional testing, that the original error identified was isolated within the Rent Allowances population, we certified the claim on 29 November 2017, subject to a qualification letter. Our qualification letter, also dated 29 November 2017, set out our findings in relation to this error in more detail.

Given the nature and value of the errors found, we have made no recommendations to the Council to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2016/17 of £5,580. Our actual proposed fee is higher than this indicative fee, at £6,703. The increase compared with the indicative fee is due to additional work required this year in respect of the error outlined above. This included testing of a further sample of cases and the production of a qualification letter, to accompany the certified claim. The proposed fee remains subject to approval by PSAA. This compares to the 2015/16 fee for this claim of £5,580.

Yours sincerely



Amanda Latham

This report is addressed to the Council and has been prepared for the sole use of the Council. 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.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 Amanda Latham, 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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Item 7

External Audit Plan 2017/2018

Wyre Borough Council

March 2018

Summary for Audit Committee

Financial statements There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. We recognise that the Authority has successfully advanced its own accounts production timetable in prior years so as to align with the new deadlines. As a result, we do not feel that this represents a significant risk, although it is still important that the authority manages its closedown process to meet the earlier deadline.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Materiality

Materiality for planning purposes has been set at **£1.05 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£52,000**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Gross Pension Liability** – 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 will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.

Summary for Audit Committee (cont.)

Financial Statements (cont.)

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of additional audit focus have been identified as:

- **Faster close** - In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July. During 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by mid-June and the final accounts by the end of July 2017, with signing taking place in September. Whilst this was an advancement on the timetable applied in preceding years, further work is still required in order to ensure that the statutory deadlines for 2017/18 are met.

See pages 3 to 9 for more details

Value for Money Arrangements work

Our risk assessment regarding your arrangements to secure value for money has not identified any significant VFM risks to date.

See pages 10 to 13 for more details

Other matters

This section outlines our WGA work and response to any Elector Challenges.

See page 15 for more details

Logistics

Our team is:

- Amanda Latham – Director
- Harriet Fisher – Manager

More details are in **Appendix 2**.

Our work will be completed in three phases from December to July and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 16**.

Our fee for the 2017/18 audit is £48,662 (£48,662 2016/2017) see **page 15**. These fees are in line with the scale fees published by PSAA.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

Our audit has two key objectives, requiring us to audit/review and report on your:

01 | Financial statements :
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and

02 | Use of resources:
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Audit Committee.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a six stage process which is identified below. Page 9 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during December 2017 to January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

01

Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry 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.

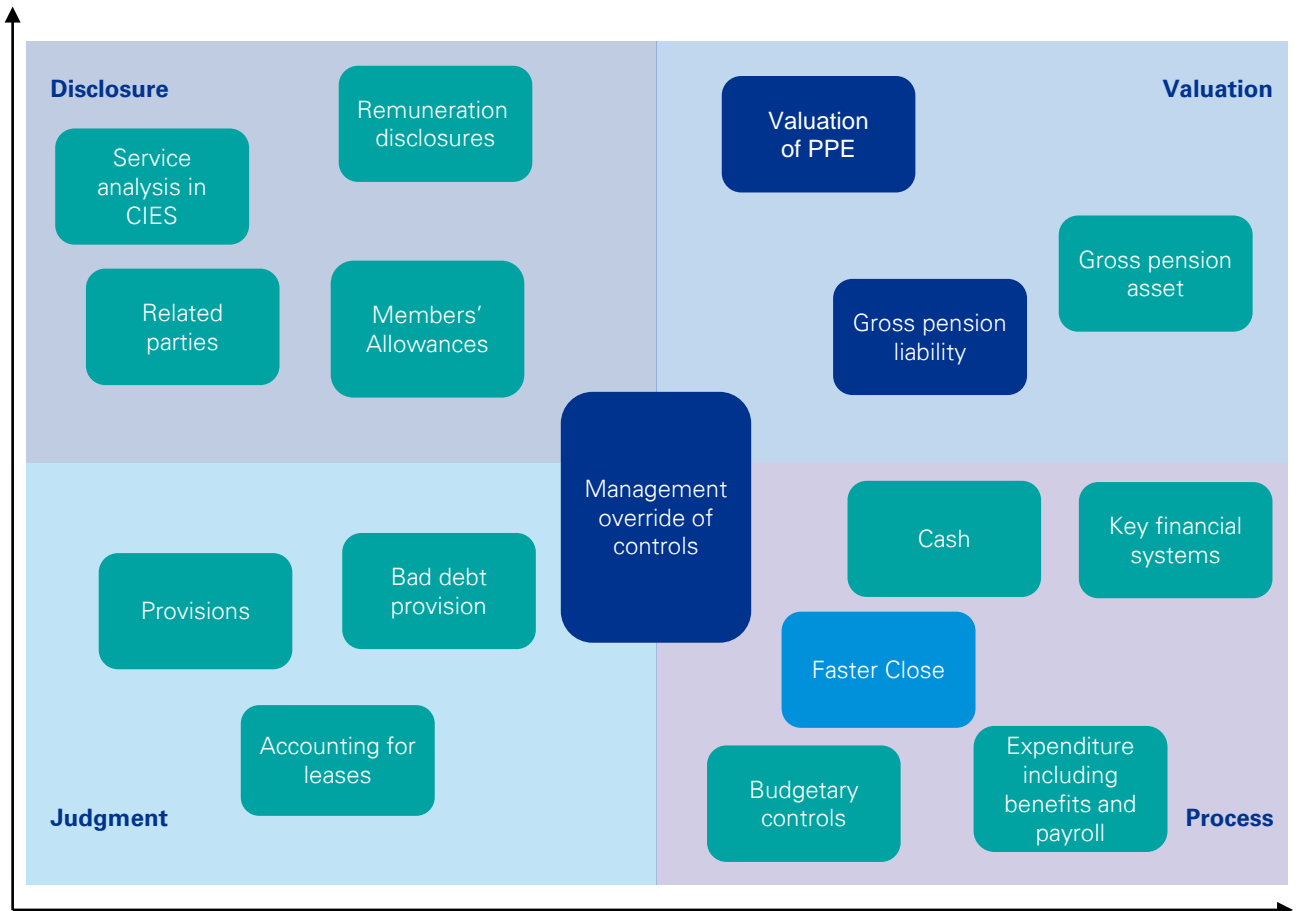
02

Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Financial statements audit planning (cont.)

The diagram below identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ■ Significant risk ■ Other area of audit focus ■ Other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	Valuation of PPE <p>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 has adopted a rolling revaluation model which sees all land and buildings revalued at least every five years. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p>
Approach:	<p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p>

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk:	<p>Valuation of gross pension liability</p> <p>The net pension liability represents a material element of the Authority's balance sheet. It represents the net balance of the Pension Liability and the Pension Asset.</p> <p>The Authority is an admitted body of Lancashire County Council Pension Fund which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the gross pension liability then relies on the application of a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's gross liability, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's gross pension liability are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p> <p>We have not identified a significant risk around the valuation of the gross pension asset, but this will remain an area of audit focus due to its materiality.</p>
Approach:	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Mercer.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Mercer.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>

Financial statements audit planning (cont.)

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Risk:	Faster Close <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>During 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by mid-June and the final signed accounts by the end of July (although owing to delays to the pension fund auditor's work, sign off took place in September). Whilst this was an advancement on the timetable applied in preceding years, further work is still required in order to ensure that the statutory deadlines for 2017/18 are met.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none">— Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;— Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report. <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.</p>
Approach:	<p>We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.</p> <p>Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.</p>

Financial statements audit planning (cont.)

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £1.050 million which equates to 1.88 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Prior Year Gross Expenditure: £53,889k (2016/17: £57,107k – figure taken pre-restatement)

Materiality

£1.050m

1.95% of Expenditure

(2016/17: £1.1m,
1.93%)



£52k Misstatements reported to the audit committee (2016/17: £55k)

£787k Procedures designed to detect individual errors (2016/17: £825k)

£1.05m Materiality for the financial statements as a whole (2016/17: £1.1m)

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £52k.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure (Corrected and uncorrected)

Value for money arrangements work

VFM audit approach

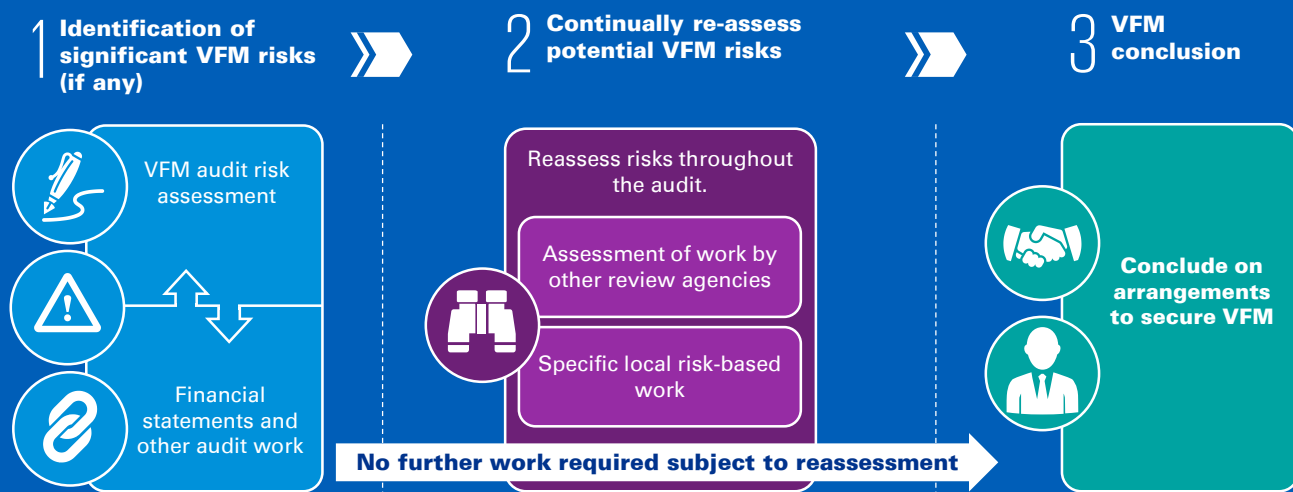
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money. In line with previous years, we have not identified any significant VFM risks in relation to our work.

Value for money arrangements work (cont.)

Value for Money sub-criterion

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



Linkages with financial statements and other audit work

Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



Identification of significant risks

Audit approach

The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)

VFM audit stage



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



Concluding on VFM arrangements

Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



Reporting

Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Other matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2017/18 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.



Other matters

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £48,662, compared to 2016/2017 of £48,662.

Appendix 1:

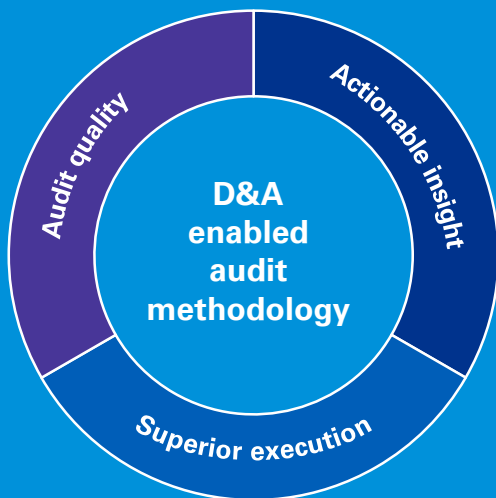
Key elements of our financial statements audit approach

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

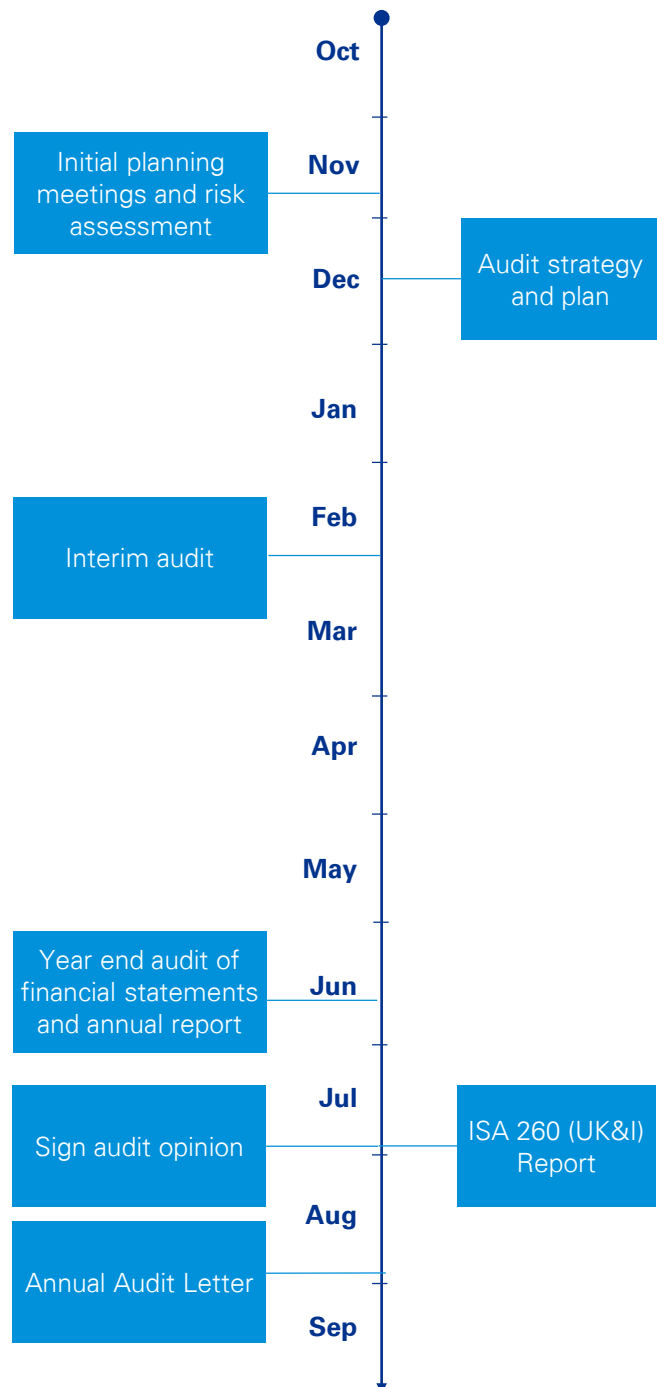
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.



Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit Committee reporting



Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team has changed since last year.



Amanda Latham
Director

T: +44 (0) 7768 416801
E: amanda.latham@kpmg.co.uk

'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.
I will be the main point of contact for the Audit Committee and Chief Executive.'



Harriet Fisher
Manager

T: +44 (0) 7827 305274
E: harriet.fisher@kpmg.co.uk

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will also oversee the on-site delivery of our work.
I will work closely with director to ensure we add value.
I will liaise with the Head of Finance and other Service Directors.'

Appendix 3:

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF WYRE BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

In addition to our audit work, we will complete the certification of the Authority's housing benefit subsidy claim, which falls within the current PSAA regime. The proposed fee in respect of this work for 2017/18 is £5,676, which is in line with the scale fee set by PSAA. We have submitted a fee variation for approval to PSAA for £1,123 in relation to additional work we completed over the housing benefit subsidy claim qualification in 2016/17.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Appendix 3:

Independence and objectivity requirements (cont.)

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Kpmg LLP

KPMG LLP



kpmg.com/uk



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 Amanda Latham, 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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CREATE: CRT086281A



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Department for Work and Pensions
Housing Benefit Unit
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

Our ref Let-CP/016/BEN01B

29 November 2017

Dear Sir / Madam

Wyre Borough Council

**Housing benefit subsidy claim for the year ended 31 March 2017 (Form MPF720A)
Qualification Letter referred to in the Auditor's Certificate dated 29 November 2017**

Details of the matters giving rise to my qualification of the above claim are set out in the Appendix to this letter.

The factual content of my qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter.

Yours faithfully

KPMG LLP

KPMG LLP

arm/audit/cr/18/1303/jb4

APPENDIX

Qualification

Cell 102: Rent Allowances – Total expenditure related to cases not requiring referral to the rent officer

Cell Total £12,759,229

Cell population: 3,237

Headline Cell £30,757,665

Overpaid benefit

Testing of the initial sample identified:

- one case (total value £30.36) where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. The effect of this error is to overstate cell 102 and understate cell 113. There is no impact on the headline cell.

We have completed additional testing in respect of this error. Because it was not possible to 'drill down' into an identified sub-population (namely, those claims where the assessment has not been 'passportted'), we have completed our additional sample testing over a sample drawn from the detailed cell 102.

Testing of an additional sample of 40 cases identified:

- One case where benefit had been underpaid as a result the incorrect assessment of claimant income. As there is no eligibility to subsidy for benefit that has not been paid, this case has been included in the table below with an error value of £0;
- One case (total value £141.60) where benefit was overpaid as a result of the incorrect assessment of claimant income. The impact of this error is to overstate cell 102 and understate cell 113. There is no impact on the headline cell; and
- One case where, although claimant income was calculated incorrectly, the benefit payable was correct and there was no resultant impact on subsidy. This case has been included in the table below with an error value of £0.

The effect of the errors found within our initial sample is to overstate cell 102 by a total of £172. The result of my testing is set out in the table overleaf.

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error (to one decimal place):	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	$\frac{[SE/SV]}{[CT]} \times$	[RA]
Initial sample - 20 cases:	Incorrect calculation of claimant income	£12,759,229	(£30)	£36,072			
Additional sample - 40 cases	Incorrect calculation of claimant income	£12,759,229	(£142)	£147,618			
Combined sample - 60 cases	Incorrect calculation of claimant income	£12,759,229	(£172)	£183,690	(0.1%)	(£12,759)	
Adjustment	Cell 102 is overstated	£12,759,229	(£172)	£183,690	(0.1%)	(£12,759)	
Total Corresponding adjustment	Cell 113 is understated					£12,759	

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £30 to £142 and the benefit periods range from 48 weeks to 52 weeks. I have not included any similar findings in a qualification letter in previous years.

The impact of the underpayment has been excluded for extrapolation values in accordance with module 1.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

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