



# Annual Audit Letter 2015/16

Sheffield City Council

October 2016



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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. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto: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](mailto: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.



## Section one

# Headlines

This Annual Audit Letter summarises the outcome from our audit work at Sheffield City Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 20 September 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
<b>VFM risk areas</b>	<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 the following significant matters:</p> <ul style="list-style-type: none"><li>— The financial performance and management of the Communities portfolio (following on from issues identified in previous periods with regards to the financial performance of Adult Social Care).</li><li>— The performance of the Place portfolio with particular regard as to whether significant outsourced contracts were able to deliver the budgeted level of savings and the implications if not.</li></ul> <p>We worked with officers throughout the year to discuss and review relevant documentation with regards to these VFM risks. There were no matters of any significance arising as result of our audit work in these VFM risk areas.</p> <p>We concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on the Authority's financial statements on 20 September 2016. 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</b>	<p>The authority successfully completed the accounts close process a month earlier than previously in preparation for the early close down that will be required in 2017-18. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code.</p> <p>The Authority has sound processes in place for the production of the accounts and supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>Our audit identified the following significant matter:</p> <ul style="list-style-type: none"><li>— One adjusted audit difference of £5.31m relating to an understated debtors balance for NNDR.</li></ul>

## Section one

# Headlines (cont)

This Annual Audit Letter summarises the outcome from our audit work at Sheffield City Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Annual Governance Statement	We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.
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	We raised 1 high priority recommendation as a result of our 2015/16 audit work in relation to improving the processes for a housing benefit reconciliation. This recommendation is detailed in Appendix 1, together with the action plan agreed by management. We will formally follow up this recommendation as part of our 2016/17 work.
Certificate	We issued our certificate on 20 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our fee for 2015/16 was £186,998, excluding VAT. An additional fee of £7,000, excluding VAT was agreed with regards to the audit of IT systems where we were unable to gain assurance from other sources. Further detail is contained in Appendix 3.



## Appendices

# Appendix 1: Key issues and recommendations

Our audit identified one high priority recommendation. Management agreed to put in place corrective action.

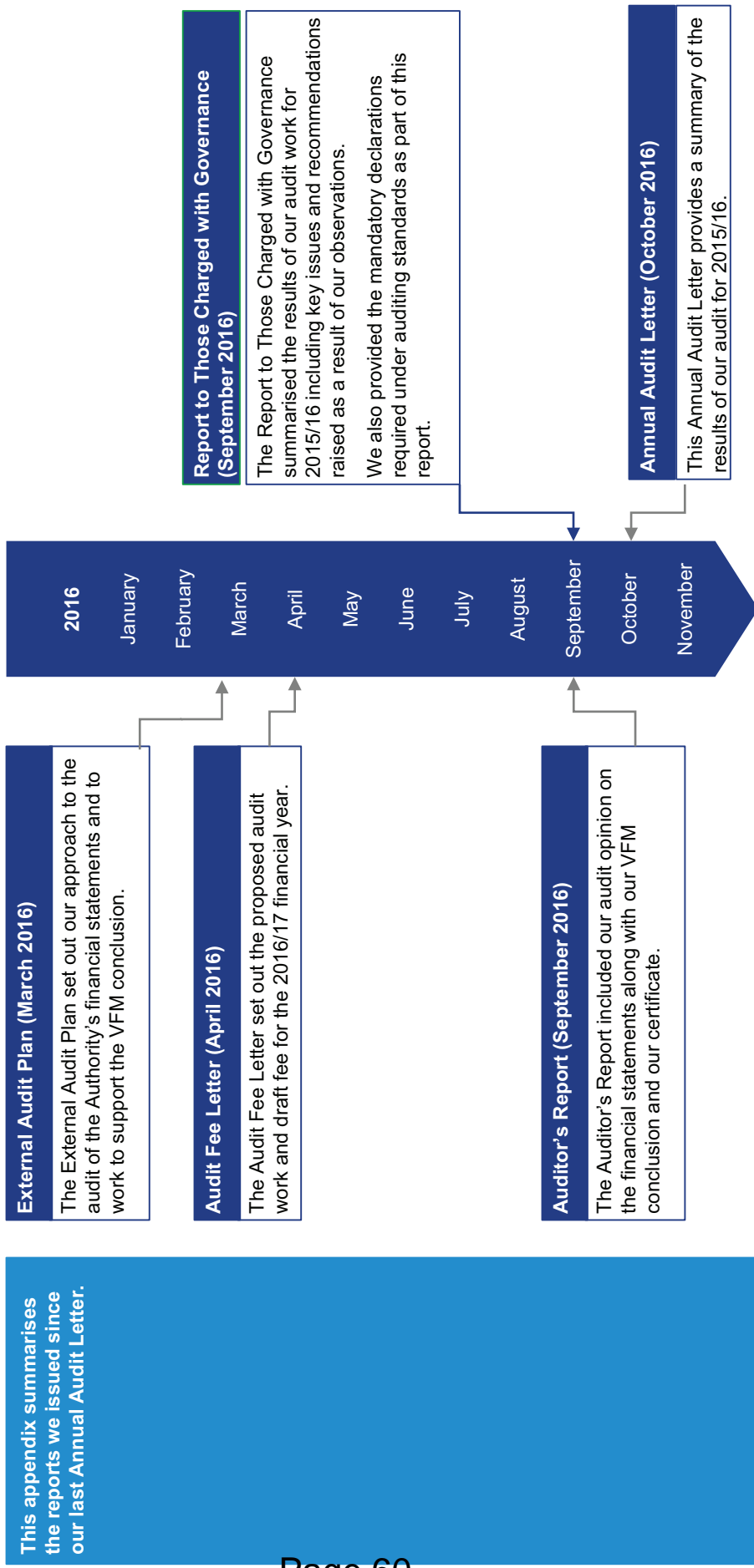
No.	Issue and recommendation	Management response / responsible officer / due date
1	<p><b>Housing Benefits Reconciliation (Private Housing)</b></p> <p>Housing benefits transactions are posted to the OEO ledger system by Capita staff reflecting the source data from the Academy Housing Benefits system.</p> <p>Testing found that regular documented reconciliations are not performed by Authority officers to ensure that the ledger reflects the source data from Academy. Whilst officers do carry out adhoc reconciliations utilising a spreadsheet provided by Capita colleagues it was noted that this spreadsheet does not tie back to the data held on the Academy system due to a number of adjustments that are subsequently posted.</p> <p>Whilst satisfied that this has not resulted in a material misstatement, and any differences between the two systems may well be justified, without a reconciliation process we are unable to verify the reasonableness of any adjustments posted.</p> <p><b>Recommendation</b></p> <p>Roles and responsibilities with regards to the performance of reconciliations should be clarified between Capita and the Authority's own team. This should include an agreed timeframe and method for recording and adjusting transactions that might impact upon the reconciliation.</p>	<p><b>Management Response</b></p> <p>The Revenue and Benefits service is managed by Capita on behalf of the Council. Their duties include submitting monthly reconciliations for the Academy system to the Council, which are then checked to the financial ledger by Finance Business Partner. Whilst there is no evidence of significant discrepancies, officers will work with Capita to clarify the roles and responsibilities and ensure that the process is complete and formalised for all stages of reconciliation (including submission of source data to support the monthly reconciliations), without duplicating the effort of the either party.</p> <p><b>Responsible Officer</b></p> <p>Assistant Director – Finance Business Partner (Resources)</p> <p><b>Due Date</b></p> <p>December 2016</p>

### Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address the issues that we have previously highlighted.

## Appendices

# Appendix 2: Summary of reports issued



# Appendices

## Appendix 3: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

### External audit

Our final fee for the 2015/16 audit of the Authority was £193,998. This compares to a planned fee of £186,998. The reason for this £7,000 variance is:

- an increased fee for the audit of the financial statements reflecting additional work required to gain assurance around a number of IT systems where we had previously been able to place reliance upon other assurance sources.

The additional £7,000 fee was approved by Public Sector Audit Appointments in October 2016.

### Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in early 2017.

### Other services

We charged £12,000, excluding VAT, for additional audit-related services for the certification of other grants and claims (Skills Funding Agency, Teachers Pension and Capital Pooling Allowance) which are outside of Public Sector Audit Appointments's certification regime.



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