



Audit and Standards Committee Report

Report of: David Phillips, Head of Strategic Finance

Date: 19 December 2019

Subject:

Outstanding audit reports from KPMG for the financial years 2016/17 and 2017/18 - Annual Audit Letter 2016/17 and 2017/18, Audit Certificate 2016/17 and 2017/18 and Annual Report on Grants and Returns 2017/18.

2018/19 Audit Certificate from Ernst & Young.

Author of Report: David Phillips

Summary:

This report summarises the outcome and key findings from KPMG's audit work at Sheffield City Council in 2016/17 and 2017/18 and also their Value for Money conclusions. Ernst & Young's audit certificate from 2018/19 is also presented. The auditor's actual reports are attached.

Recommendations:

That the outstanding annual reports for 2016/17 and 2017/18 are noted. That the audit certificate for 2018/19 is noted.

Background Papers: KPMG Annual Audit Letter 2016/17 and 2017/18, KPMG Audit Certificate 2016/17 and 2017/18 and KPMG Annual Report on Grants and Returns 2017/18. Ernst & Young Audit Certificate 2018/19.

Category of Report: Open

* Delete as appropriate

Statutory and Council Policy Checklist

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| Financial Implications |
| No Cleared by: David Phillips |
| Legal Implications |
| NO Cleared by Steve Ecclestone |
| Equality of Opportunity Implications |
| NO Cleared by Michelle Hawley |
| Tackling Health Inequalities Implications |
| NO |
| Human rights Implications |
| NO: |
| Environmental and Sustainability implications |
| NO |
| Economic impact |
| NO |
| Community safety implications |
| NO |
| Human resources implications |
| NO |
| Property implications |
| NO |
| Area(s) affected |
| Corporate |
| Relevant Scrutiny Committee if decision called in |
| Not applicable |
| Is the item a matter which is reserved for approval by the City Council? |
| NO |
| Press release |
| NO |

AUDIT AND STANDARDS COMMITTEE - 19 December 2019

EXTERNAL AUDITOR'S REPORTS – KPMG Annual Audit Letter 2016/17 and 2017/18, KPMG Audit Certificate 2016/17 and 2017/18 and KPMG Annual Report on Grants and Returns 2017/18 – Ernst & Young Audit Certificate 2018/19

Purpose of the Report

1. The purpose of this report is to summarise the outcome and key findings of KPMG's, the Council's external auditor for 2016/17 and 2017/18, audit work at Sheffield City Council in 2016/17 and 2017/18, which has been finalised following the resolution of two objections raised by local electors to the 2016/17 Statement of Accounts. The audit certificate following the conclusion of the Council's 2018/19 accounts is also presented, the Council's new external auditors Ernst & Young. The auditor's detailed reports are also presented to the Committee.

Summary of the report

2. In July 2017 two objections were received in respect of the Council's 2016/17 Statement of Accounts, asking KPMG to investigate the Council's nineteen Lender Option Borrower Option (LOBO) loans and its seven PFI schemes.
3. As a result during this time the Council's Statement of Accounts have had to remain open. However, in May 2018 and October 2019 the auditors concluded on the two objections received, which has now allowed KPMG to confirm the conclusion of the audit of the year ended 31st March 2017 and the year ended 31st March 2018.
4. The audits of the Council's 2016/17 and 2017/18 Statement of Accounts have already been discussed at the time with the Committee. However, the submission of these reports now formally closes both financial years and are summarised for the Committee's information below.
5. 2016/17 – KPMG's outcome and key findings:
 - Annual Audit Letter – KPMG issued an unqualified opinion on the Council's 2016/17 accounts and an unqualified conclusion on the Council's arrangements to secure value for money, in December 2017.
 - 2016/17 Audit – KPMG identified four audit adjustments with a total value of £351.7m. One of these related to the need to restate the value of those assets valued under the Depreciated Replacement Cost methodology. Two of these were in relation to the restatement of the CIES caused by a formula error and the inclusion of internal recharges. Amendments were also made to the payroll banding disclosure. These adjustments resulted in a net nil impact on both

the surplus on provision of services and the general fund. KPMG also raised three recommendations in regard to the asset valuation process followed by the Council.

- Audit Certificate – KPMG considered the two objections to the Council’s 2016/17 Statement of Accounts and concluded that no further action is required to be undertaken. This consideration led to a delay in issuing the final audit certificate until November 2019 and the certificate confirms that KPMG have now concluded the audit for 2016/17.

6. 2017/18 - KPMG’s outcome and key findings:

- Annual Audit Letter - KPMG issued an unqualified opinion on the Council’s 2017/18 accounts and an unqualified conclusion on the Council’s arrangements to secure value for money, in July 2018.
- 2017/18 Audit – KPMG identified one audit adjustment with a total value of £4.2m to the value of debtors, creditors and cash on the balance sheet only. This adjustment resulted in a net nil impact on both the surplus on provision of services and the general fund. KPMG raised no recommendations for the Council as a result of their 2017/18 audit work.
- Audit Certificate - KPMG considered the two objections to the Council’s 2016/17 Statement of Accounts and concluded that no further action is required to be undertaken. This consideration led to a delay in issuing the final audit certificate until November 2019 and the certificate confirms that KPMG have now concluded the audit for 2017/18.
- Annual Report on Grants and Returns – This report summarises the results of the audit work KPMG carried out on the Council’s 2017/18 grant claims and returns. KPMG carried out work on four grants and returns, three were unqualified and one was subject to a qualification letter – Housing Benefit Subsidy claim.

7. 2018/19 – Ernst & Young’s outcome to date:

- Audit Certificate – Following the issue of the 2016/17 and 2017/18 audit certificates, Ernst & Young have now been able to formally certify they have completed the 2018/19 audit and issue their audit certificate for 2018/19.

FINANCIAL IMPLICATIONS

8. There are no direct financial implications arising from the report.

LEGAL IMPLICATIONS

9. KPMG's and Ernst & Young's responsibilities as the Council's external auditors, together with the Council's responsibilities in response to the auditor report or recommendations, are set out in the Local Audit and Accountability Act 2014. The Council is required to consider the report or recommendations at a meeting. The Council is also required to decide whether the report requires the Council to take any action or whether the recommendation is to be accepted and what, if any, action to take in response to the report or recommendation.
10. The legal implications are contained within paragraphs 5, 6 and 7 of this report.

EQUAL OPPORTUNITIES IMPLICATIONS

11. The Council has considered the equality implications of this report and, in particular, the Public Sector Equality Duty under S149 Equality Act 2010. In the circumstances of this report, no formal Equality Impact Assessment requires completion.

RECOMMENDATION

12. The Audit and Standards Committee notes this report, and the contents of the auditor's outstanding reports from 2016/17 and 2017/18 and the contents of the auditor's audit certificate from 2018/19.

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