



Annual Audit Letter 2015/16

South Hams District Council

—

19 October 2016



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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. Public Sector Audit Appointments 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.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 Darren Gilbert, 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). 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.

This Annual Audit Letter summarises the outcome from our audit work at South Hams District Council in relation to the 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.

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| VFM conclusion | <p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 28 September 2016. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.</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> |
| VFM risk areas | <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"> — The Authority is facing significant savings requirements as a result of the ongoing reductions in central government funding. In the face of these, the Authority has delivered an underspend of £69k against budget. We are satisfied that adequate arrangements are in place to identify savings plans and monitor performance against these throughout the year. However, like most bodies in the sector, the Authority will continue to face significant financial challenges in the future. It will therefore be vital that the Council maintains a strong focus on these challenges and takes the difficult decisions that will be necessary to address them; and — As part of its response to funding reductions, the Council has been delivering a transformation (the T18 Transformation Programme) which has resulted in significant changes in the way in which the Council operates. Whilst the delivery of the programme has encountered delays and additional costs have been incurred, above those originally included in the business case (£546,000 for fixed term temporary transitional staffing resources), we are satisfied that appropriate approvals were sought from Members and that progress is being monitored and reported. |
| Audit opinion | <p>We issued an unqualified opinion on the Authority's financial statements on 28 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> |
| Financial statements audit | <p>We are pleased to report that we did not identify any material misstatements to the Authority's accounts.</p> <p>We have agreed a number of minor presentational and disclosure changes to supporting notes to the accounts to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.</p> <p>We have raised no high priority recommendations as a result of our audit work.</p> |
| Other information accompanying the financial statements | <p>Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.</p> |

Section one

Headlines (cont)

We have issued our certificate to confirm the completion of our audit responsibilities for the 2015/16 audit year.

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| Whole of Government Accounts | The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office. |
| Certificate | We issued our certificate on 28 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 £44,385, excluding VAT which is greater than the planned fee of £43,404 as a result of work required in relation to elector questions. Further detail is contained in Appendix 2. |

Appendix 1: Summary of reports issued

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

These reports can be accessed via the Audit Committee pages on the Authority's website at www.southhams.gov.uk

External Audit Plan (February 2016)
The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

Audit Fee Letter (April 2016)
The Audit Fee Letter set out the proposed audit work and draft fee for the 2016/17 financial year.

Interim Audit Report (June 2016)
The Interim Audit Report summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

Auditor's Report (September 2016)
The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.



Report to Those Charged with Governance (September 2016)
The Report to Those Charged with Governance summarised the results of our audit work for 2015/16 including key issues and recommendations raised as a result of our observations.
We also provided the mandatory declarations required under auditing standards as part of this report.

Annual Audit Letter (October 2016)
This Annual Audit Letter provides a summary of the results of our audit for 2015/16.

Appendix 2: 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 was £44,385. This compares to a planned fee of £43,404. The reasons for this variance was the work required in relation to questions raised by an elector.

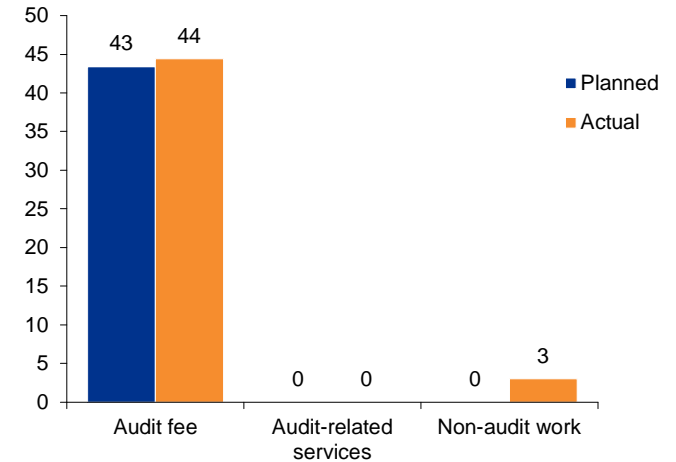
Certification of grants and returns

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 January 2017.

Other services

We anticipate charging £3,000 for additional non-audit services for the planned provision of budget management training to, the timing of which is still to be decided. This work is not related to our responsibilities under the Code of Audit Practice.

External audit fees 2015/16 (£'000)





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