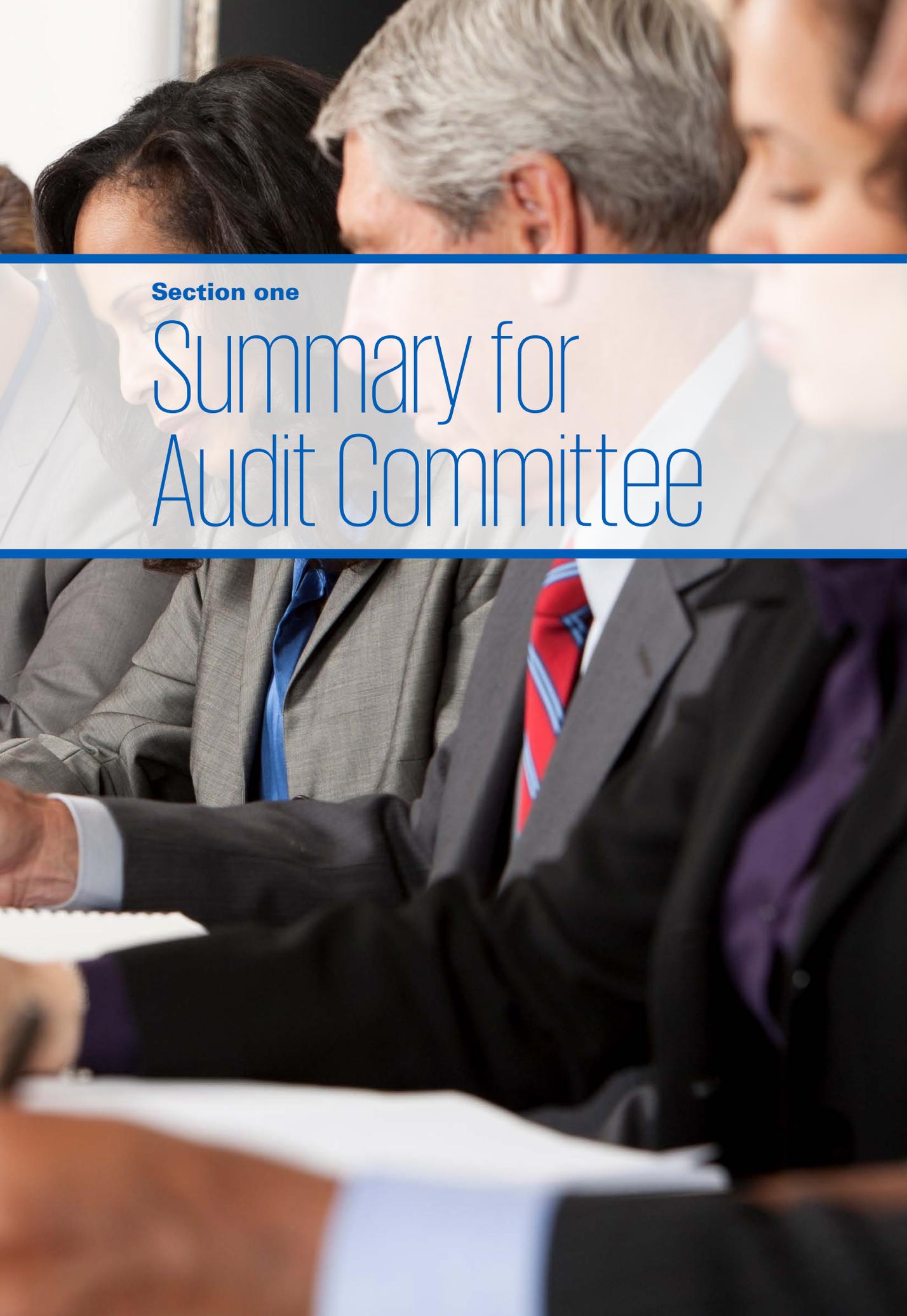




Annual Audit Letter 2017/18

Blackpool Council—
6 September 2018



A group of business professionals, including a woman with dark hair and a man with grey hair, are seated around a table in a meeting. They are looking down at documents on the table. The man in the foreground is wearing a dark suit and a red tie. The woman next to him is wearing a grey suit and a blue tie. The background is slightly blurred, showing other people in the meeting.

Section one

Summary for Audit Committee

Summary for Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Blackpool Council ("the Authority") in relation to the 2017-18 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.

Audit opinion

We will issue an unqualified opinion on the Authority's financial statements by the 13th September 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include the consolidated financial statements for Authority's Group, which consists of the Authority itself and its subsidiaries; Blackpool Transport Services Limited, Blackpool Coastal Housing Limited, Blackpool Entertainment Company Limited, Blackpool Operating Company Limited and Regional and City Airports (Blackpool) Holdings Limited. The Council's associate, Marketing Lancashire, is also included in the Group financial statements.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £4.5 million which equates to around 1% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £230k for the Authority.

We have identified four audit adjustments with a total value of £5.3 million. These adjustments result in a net decrease of £5.3 million in the reported deficit on provision of services.

Our audit work was designed to specifically address the following significant risks:

- **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;
- **Pensions Liabilities** – The valuation of the Authority's net 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;
- **Faster Close** – The timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.

Other information accompanying the financial statements

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.

Section one:

Summary for Audit Committee (cont.)

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.

Value for Money conclusion

We will issue an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 by the 13th September 2018. 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.

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.

Value for Money risk areas

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.

Our work identified the following significant matters:

- **Delivery of Budgets** – The Authority identified the need to make savings of £18.7m in 2017/18 to be met through budget reductions, council tax increase of 4.99%, staff redundancies and the elimination of vacant posts. The Authority's budget for 2018/19 was approved at the Council meeting in February 2018. It recognised the need for £5.5 million in savings after allowing for the full 5.99% increase in Council Tax (which included the 3% Adult Social Care Precept). The approved budget includes individual proposals to support the delivery of the overall savings requirement. Further savings will be required over the period to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience
- **Children Services** – Children's Services represents the biggest budgetary pressure on the Authority in 2017/18, with a £3.2 million forecast year-end overspend as at month 10, compared to a budget which had been increased for the year. By their nature individual child placements in care are expensive, and a small increase in the number of such placements can have a material impact on the Authority's budget. The Authority continues to tackle the challenges faced in the local area, to ensure that it works effectively with partners to deliver a high quality service that is appropriate to every child's individual need. However, in having one of the highest rates of looked after children in the country, the Authority is especially susceptible to financial challenge when needing to place additional children into care.

High priority recommendations

We raised no high priority recommendations as a result of our 2017-18 work.

Section one:

Summary for Audit Committee (cont.)

Certificate

We will issue our certificate by the 13th September 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2017-18 was £110,153, excluding VAT (2017: £110,153). Further detail is contained in Appendix 3.

We also completed the audit of Regional and City Airports (Blackpool) Holdings Limited and our final fee for 2017-18 was £12,000.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014 or provide details of any powers exercised.



Appendices



Appendix 2:

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.blackpool.gov.uk.

Certification of Grants and Returns

This letter summarised the outcome of our certification work on the Authority's 2016-17 grants and returns.

External Audit Plan

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

Interim Audit Report

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

Reports to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 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.

Auditor's Report

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

Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.

2018

January

February

March

April

May

June

July

August

September

October

Appendix 1:

Audit fees

This appendix provides information on our final fees for the 2017-18 audit.

External audit

Our final fee for the 2017-18 audit of the Authority was £110,153, which is in line with the planned fee. This compares to a planned fee of £110,153. We also completed the audit of Regional and City Airports (Blackpool) Holdings Limited and our final fee was £12,000.

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 planned fee for this work is £10,112 and the final fee will be confirmed through our reporting on the outcome of that work in November 2018.

We charged £6,990 for additional audit-related services for the certification of the Teachers' Pension Return, Pooling of housing Capital Receipts and Homes England Development Grant.

Other services

We did not charge any additional fees for other services.



The key contacts in relation to our audit are:

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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. 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 Tim Cutler, 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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