



Annual Audit Letter 2015/16

Rushcliffe Borough 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.

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Section one

Headlines

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

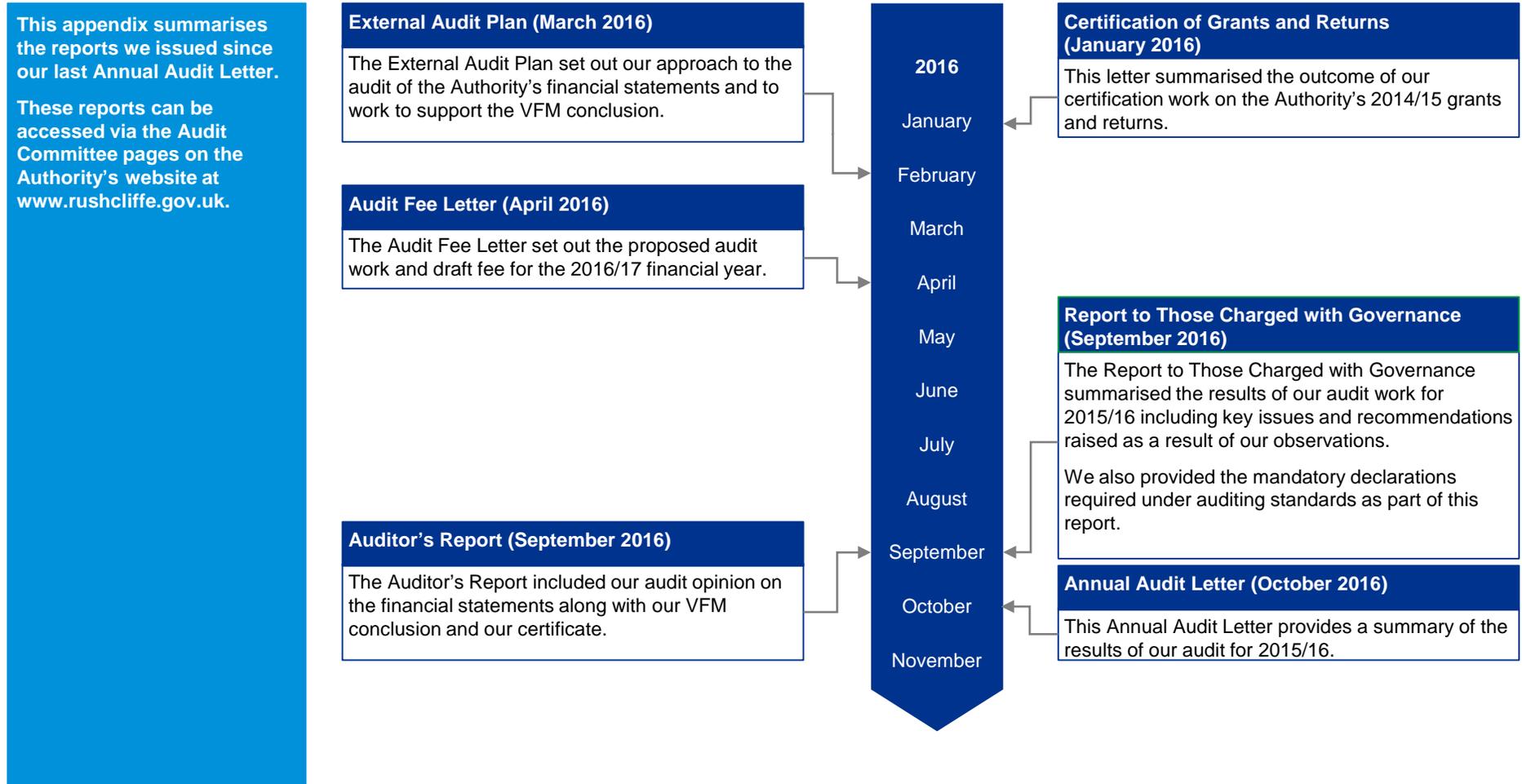
Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 30 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. Specifically, we considered the robustness of the Medium Term Financial Plan and whether assumptions around future funding and income streams are appropriate. We also considered the robustness of governance arrangements underpinning the Authority's Asset Investment Strategy and Arena Capital Programme. There are no matters of any significance arising as result of our audit work in these VFM risk areas which impacted on our overall VFM conclusion. We did however raise one medium priority recommendation in regards to final due diligence prior to finalising the loan with Nottinghamshire County Cricket Club (see Appendix One).</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 30 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 reviewed key risks to the financial statements throughout our audit. We identified the following key financial statements audit risks as part of our planning work; Pension Liability Assumptions; Producing Group Accounts; and Capital Programme Accounting. There were no matters of any significance arising as a result of our audit work in these key risk areas.</p> <p>The Authority has good processes in place for the production of the accounts and provided a strong draft set of accounts for audit. This was supported by good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>We did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, all of which were of a presentational nature.</p> <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.</p>
Whole of Government Accounts	<p>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.</p>
Certificate	<p>We issued our certificate on 30 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.</p>
Audit fee	<p>Our fee for 2015/16 was £41,288, excluding VAT, this is inline with our planned fee. Further detail is contained in Appendix 3.</p>

Appendix 1: Key issues and recommendations

<p>We will formally follow up this recommendations next year.</p>	No.	Issue and recommendation	Management response / responsible officer / due date
	1	<p>Nottinghamshire County Cricket Club Loan</p> <p>The Authority has set aside £10m towards an Asset Investment Strategy Fund. £2.7m of which has been agreed as a loan to Nottinghamshire County Cricket Club (NCCC) to support proposed improvements to the Trent Bridge Cricket Ground. The purpose of these developments is to increase the likelihood of NCCC continuing attracting international cricket matches to the region in the future.</p> <p>The Authority recognised within its report to Cabinet on 8 September 2015, that the biggest risk with regards to the loan is the potential for NCCC to default on repayment of the loan. We note that the Authority has reviewed the financial accounts and medium term financial plans, including cash flows, to gain comfort in regards to its agreed loan to NCCC.</p> <p>We have noted, however, that costings for each of the projects that the loan is to support has not been formally obtained to provide confirmation of how the loan will be utilised and to assess whether the loan can achieve the intended purpose.</p> <p>We also note while officers confirm that a risk assessment surrounding NCCC failing to obtain successful test funding have been considered (for example the potential impact of unsuccessful international friendly matches, along with additional television deal income), this should be formally documented to demonstrate the potential risk, scenarios and potential mitigations, which is in part inherently offset via the process of staged loan drawdowns. Finally, detail about the benefits that will be received by the region could be enhanced.</p> <p>Recommendation</p> <p>The Authority should seek to further enhance its assessment of the business case for granting the loan. The s151 Officer should obtain formal costing and budget reports to confirm how the loan is being used and that it is for its intended purpose. On-going budgetary reports to Cabinet should report on issues regarding variation and risk to the project and any impact on the loan.</p> <p>As part of this the risk of the projects not enabling NCCC to attract future England cricket matches should also be documented together with the actual benefit that is derived by the region.</p> <p>Further to the above, it would be prudent to undertake further due diligence of NCCC's financial position and progress with bidding for future England games ahead of any loan draw downs.</p>	<p>The Executive Manager Finance and Corporate Services, will clarify the current cost position of the project prior to authorising any loans. The position of the NCCC project(s) will change according to various risks, for example planning and procurement. As a matter of course the Section 151 officers of the 3 Councils will continue to review the position of the projects, and their progress against budget; as well as the success or otherwise of the bidding process for future test matches; and thereafter agreeing the drawdown on the loans over time.</p> <p>The benefits to the region have been well documented in the past. The East Midlands Development Agency estimated in 2009 the Twenty20 World Cup generated £12m to the local economy. Sport England estimated the value to the local economy of sport in Rushcliffe to be £49m (December 2015). Anecdotally figures suggest a five day test match contributes £30m to the local economy a proportion which Rushcliffe benefits from. Given the variety of other economic variables influencing the local economy it is difficult to isolate the exact benefits, but clearly these are significant in terms of additional business in the borough as well as the positive reputational impact for the Borough in having an excellent test ground facility.</p> <p>Executive Manager –Finance and Corporate Services</p> <p>1 October 2016 and on-going.</p>

Appendix 2: Summary of reports issued



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 scale fee for the audit was £41,288 plus VAT in 2015/16. This fee was in line with that highlighted within our audit plan agreed by the Corporate Governance Group in April 2016. 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, our scale fee for certification for the HBCOUNT is £6,898 plus VAT for 2015/16.

Other services

We have not undertaken any non-audit work in year.



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