



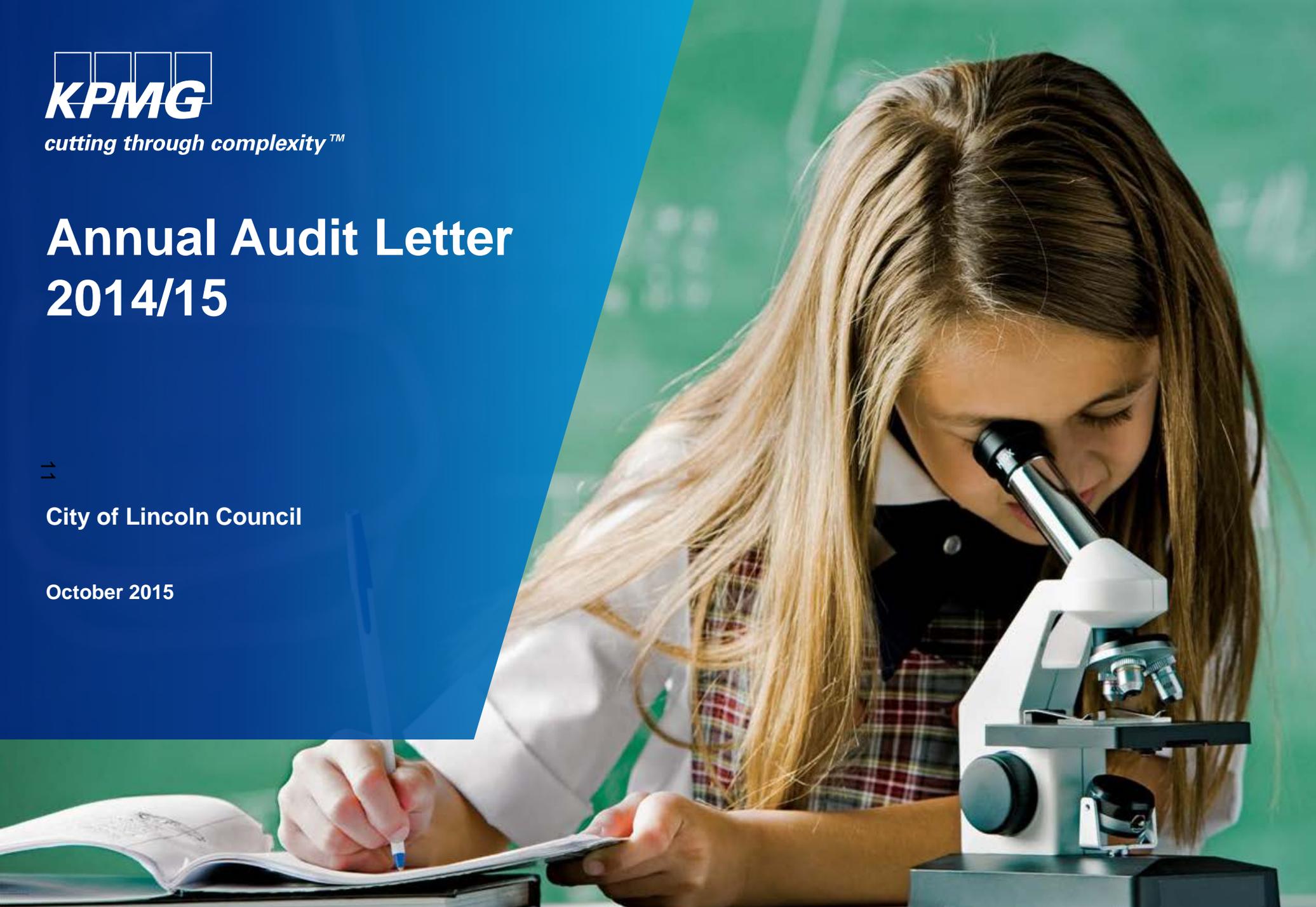
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Annual Audit Letter 2014/15

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City of Lincoln Council

October 2015



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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. The Audit Commission 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.psa.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 Andrew Bush, 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, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@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 report summarises the key findings from our 2014/15 audit of City of Lincoln Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

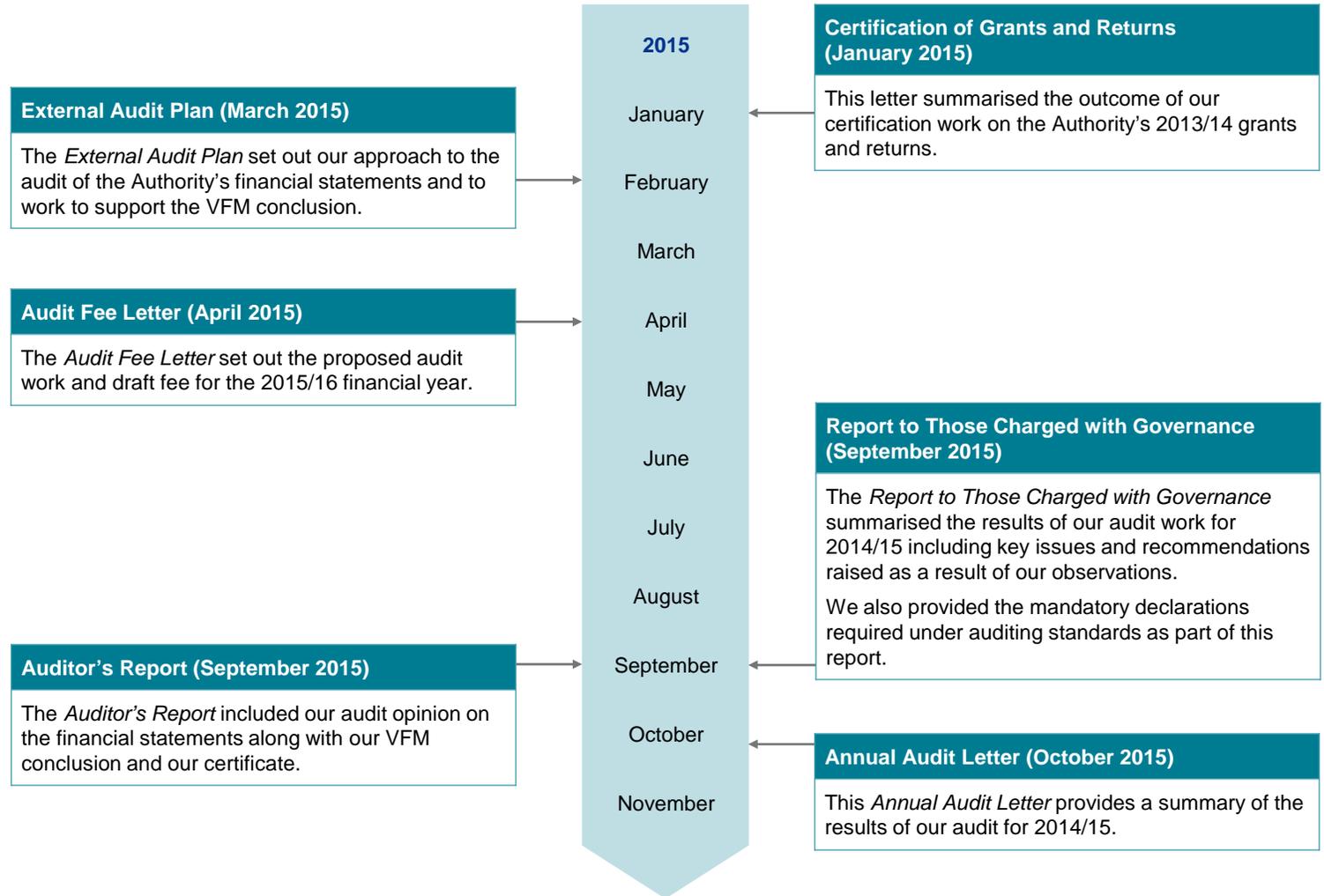
All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 30 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>Our initial risk assessment took into account the Authority's key business risks which are relevant to our VFM conclusion. We specifically considered the actions being taken by the Authority to achieve the savings identified as required within the Medium Term Financial Strategy, with up to £3m needed by 2016/17. The Authority was making good progress in developing the actions required to make the longer term savings required by the Strategy and is focused on delivering the remaining £231,000 required. We also considered your response to the June 2015 budget proposal that councils' reduce housing rents by 1% in each year from 2016/17 to 2019/20. The Council is continuing to evaluate the impact of the expected £10.5m reduction in rent income on its HRA business plan. We were satisfied that sufficient work in relation to this risk was being carried out by the Authority to mitigate the audit risks for our VFM conclusion. We concluded that we did not need to carry out any specific additional work ourselves.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 30 September 2015. 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 reported the significant matters arising from the financial statements audit to the September 2015 Audit Committee in our Report to those Charged with Governance. We did not need to report any significant audit differences to the Committee and officers all the expected. We made one recommendation intended to further improve the quality of the final accounts working papers and this was accepted by officers. We followed up the two recommendations for improvement made in 2013/14 and we confirmed that they had been implemented.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was not misleading or inconsistent with other information we are aware of from our audit of the financial statements.</p>
Whole of Government Accounts	<p>We carried out the mandated audit work in relation to the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. There are no matters arising from this work.</p>
Certificate	<p>We issued our certificate on 30 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for 2014/15 was £63,879, excluding VAT (£62,914 in 2013/14). Further detail is contained in Appendix 3.</p>

Appendix 1: Summary of reports issued

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

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This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £63,879. This compares to a planned fee of £62,913.

The reason for this variance was an increased fee for the audit of the financial statements, reflecting additional costs incurred in carrying out the final accounts audit, of £966 over and above our initial estimate.

Our fees are still subject to final determination by Public Sector Audit Appointments.

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 2016.

Other services

We did not charge any additional fees for other services.



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