



Annual Audit Letter 2016/17

City of Lincoln Council

October 2017



Contents

Report sections

Summary 3

Appendices

1. Summary of reports issued 5

2. Audit fees 6

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.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, 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.

The contacts at KPMG in connection with this report are:

Andrew Bush

Director

T: 0115 935 3560

E: andrew.bush@kpmg.co.uk

Mike Norman

Manager

T: 0115 935 3554

E: michael.norman@kpmg.co.uk

Jon Machej

Assistant Manager

T: 0115 935 3430

E: jon.machej@kpmg.co.uk

Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at City of Lincoln Council in relation to the 2016/17 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.

A summary of the reports we have issued during the year is included at Appendix 1.

VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016-17 on 29 September 2017. 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 for informed decision making, sustainable resource deployment and working with partners and third parties.

VFM 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.

The £30m Transport Hub project commenced in August 2016 and there were other large scale and high risk projects in progress or in planning. Our risk assessment identified the importance of the Authority continuing to have adequate arrangements for managing the delivery and financial control of these projects. We assessed the management arrangements in place, and specifically reviewed the frameworks relating to the delivery of the Transport Hub, Boultham Park Restoration and Western Growth Corridor projects. We also considered the most recent progress in relation these projects and the Authority's latest project risk registers. We were satisfied that there were adequate arrangements in place at 31 March 2017 and there were no significant matters which prevent us from giving an unqualified VFM conclusion.

One area of focus for our continuing VFM risk assessment was your arrangements for securing financial resilience. We considered the Authority's arrangements for managing its annual revenue and capital budgets and the 2016/17 outturn. The General Fund and Housing Revenue Account revenue outturns were largely as expected and the Authority exceeded the £3m 'Towards Financial Sustainability (TFS) programme savings target included in the Medium Term Financial Strategy (MTFS) for 2016/17. No significant concerns had been highlighted to date in the current year monitoring reports. The MTFS 2017-2022 reflected the Government's four year funding settlement with the Council. The Authority had set a balanced budget for 2017/18, and was in a good position to deliver the £49k in year savings required under the TFS programme. The TFS programme was not expected though to deliver the level of savings required over the life of the MTFS with a gap of £719k in 2018/19. The MTFS acknowledges that there needs to be strong emphasis on achieving the savings targets from 2018/19 onwards and provide financial capacity to respond to the financial risks the Council faces. The Authority needed to continue to closely monitor progress in all these areas and ensure its MTFS is kept up to date.

Overall, we concluded that in 2016-17, the Authority had made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people..

Section one

Summary

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. 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.

Financial statements audit

Our audit identified material errors in the draft financial statements, which were corrected in the published version. We reported the significant errors in our September 2017 ISA260 report to the Authority. The net impact of the adjustments was a reduction in the Authority's balance sheet net worth of £4.5m, although the General Fund, HRA and other useable balances are unchanged. We acknowledged the staffing difficulties faced by the finance team during the closedown process and in the first half of the current year. Management has agreed to our report recommendations aimed at ensuring the arrangements and working papers for the 2017/18 accounts are robust and effective. We will follow up progress on these matters as part of our 2017/18 audit.

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.

Certificate

We issued our certificate on 29 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

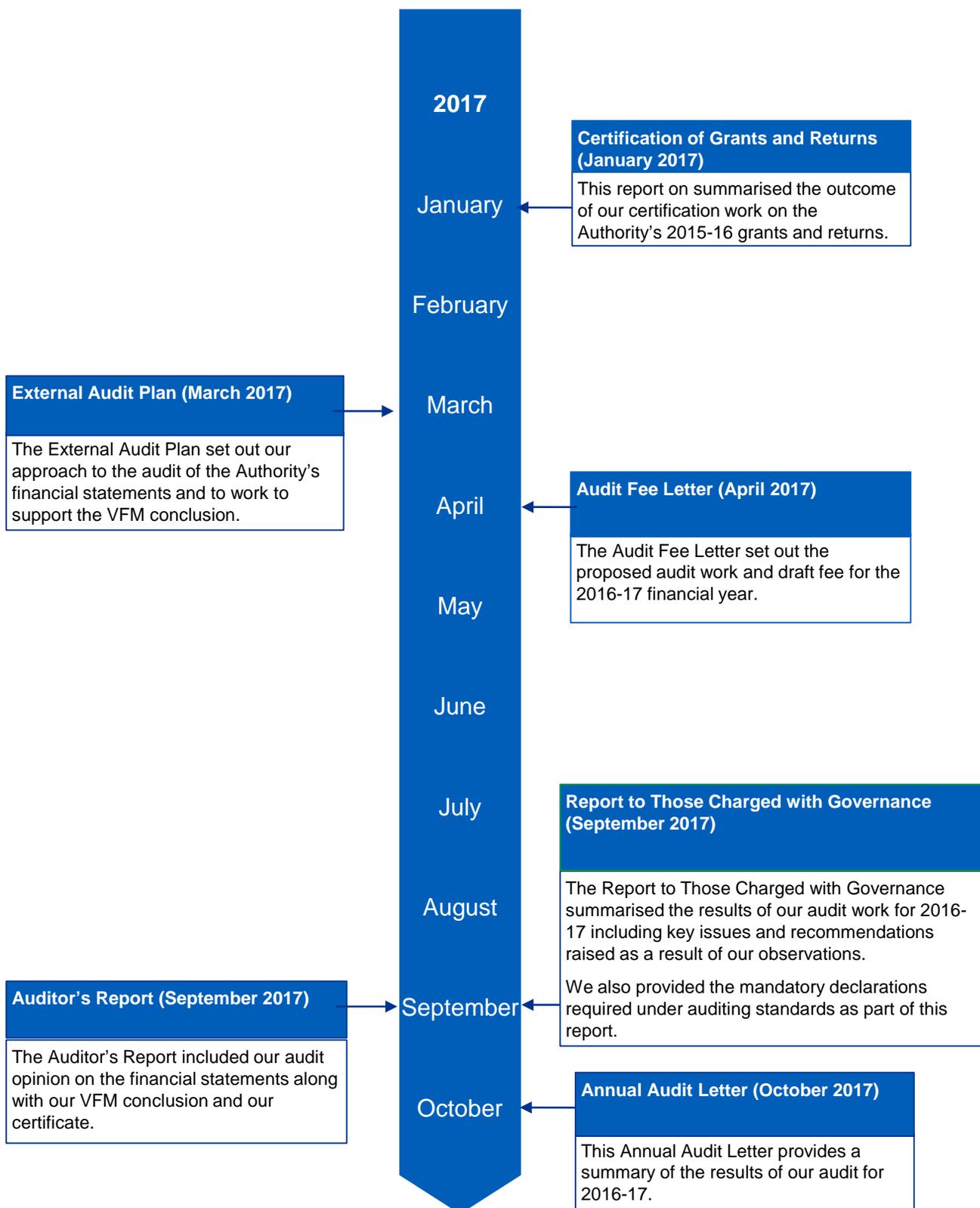
Audit fee

The scale fee set by PSAA for 2016-17 was £47,185 excluding VAT. 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.



Appendix 2

Audit fees

This appendix provides information on our final fees for the 2016-17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016-17 planned audit fee.

External audit

The scale fee set by PSAA for the 2016-17 audit of the Authority was £47,185 (excluding VAT), As reported in our ISA260 report we expect to apply to PSAA for fee variations to cover additional work required to complete the audit of PPE and the VFM conclusion.

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 indicative scale fee set by PSAA for this work is £9,098. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

Other services

We charged £3,000 (excluding VAT) for certification of the 2015/16 Pooling of Housing Capital Receipts return. This work was not related to our responsibilities under the Code of Audit Practice.

kpmg.com/uk



© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Designed by CREATE | CRT086038