



# Annual Audit Letter 2015/16

15

**City of Lincoln Council**

October 2016



# Contents

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## Page

### Report sections

— Headlines 3

### Appendices

1. Summary of reports issued 5

2. Audit fees 6

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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.

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](mailto: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](mailto: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 City of Lincoln Council in relation to their 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**

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 that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.

**VFM risk areas**

Our initial risk assessment took into account the Authority's key business risks which are relevant to our VFM conclusion. The Council has a number of major infrastructure and other projects in progress, including the £30.6m Transport Hub project. The Council needs to have adequate arrangements in place for the planning, monitoring, delivery and funding of these projects. We determined that these issues represented a significant VFM risk. We reviewed the general arrangements for monitoring and reporting on strategic projects, including the 'mega' projects which have their own specific governance and project management arrangements. Given the scale of the Transport Hub project and the financial and operational risks we carried out further detailed audit work as part of the 2015/16 VFM conclusion to assess the adequacy of the specific arrangements in place. The arrangements we took into account included:

- The Programme Board, project risk register and risk management arrangements, including the use of the SCAPE framework to appoint the main contractor and an independent quantity surveyor/Project Manager, and the fixed price nature of the main contract in place.
- The Business Case which had been prepared with independent specialist input to meet the requirements of the Department of Transport (DoT) grant approval process for the £11m funding being sought for the scheme.
- The financial planning, cost control and accounting procedures and the arrangements for obtaining specialist legal, financial and valuation advice when required to inform and support decision making.

The DoT approved the Business Case as submitted in August 2016 which has enabled the scheme to start as currently planned. We will continue to monitor progress and take the Authority's arrangements into account as part of future years' VFM conclusion assessments.

The Authority's arrangements for sustainable resource deployment was a particular area of focus for our risk assessment, given the continuing financial challenges faced in the local government sector. We considered the Authority's arrangements for managing its annual budget and the 2015/16 outturn. We also specifically considered:

- The Authority's arrangements for preparing and updating its medium term financial plans. The Medium Term Financial Strategy (MTFS) has been updated and reflects the financial and policy context within which the Authority operates. It takes into account the outcome of the Local Government Finance Settlement 2016/17, including the indicative significant reductions in government grant and increasing reliance on business rate income. Managers are continuing to update the MTFS although there is continuing uncertainty in the sector ahead of the 2016 Autumn Statement.
- The actions being taken by the Authority to achieve the £4m savings identified as required by 2020/21. The Authority has continued to track progress against the projects and themes identified in the savings programme. There are management scrutiny arrangements in place, with business cases subject to challenge and approval before the savings are built into the budgets. The Authority's managers are working hard to identify the opportunities and actions required to make the longer term savings required to balance the budget.

Having completed our risk assessment, and the required additional specific audit work in relation to the significant VFM risks identified, we were satisfied that the Authority had proper arrangements in place for the areas covered by our assessment and we were able to give an unqualified VFM conclusion.

## Section one

# Headlines (cont.)

18

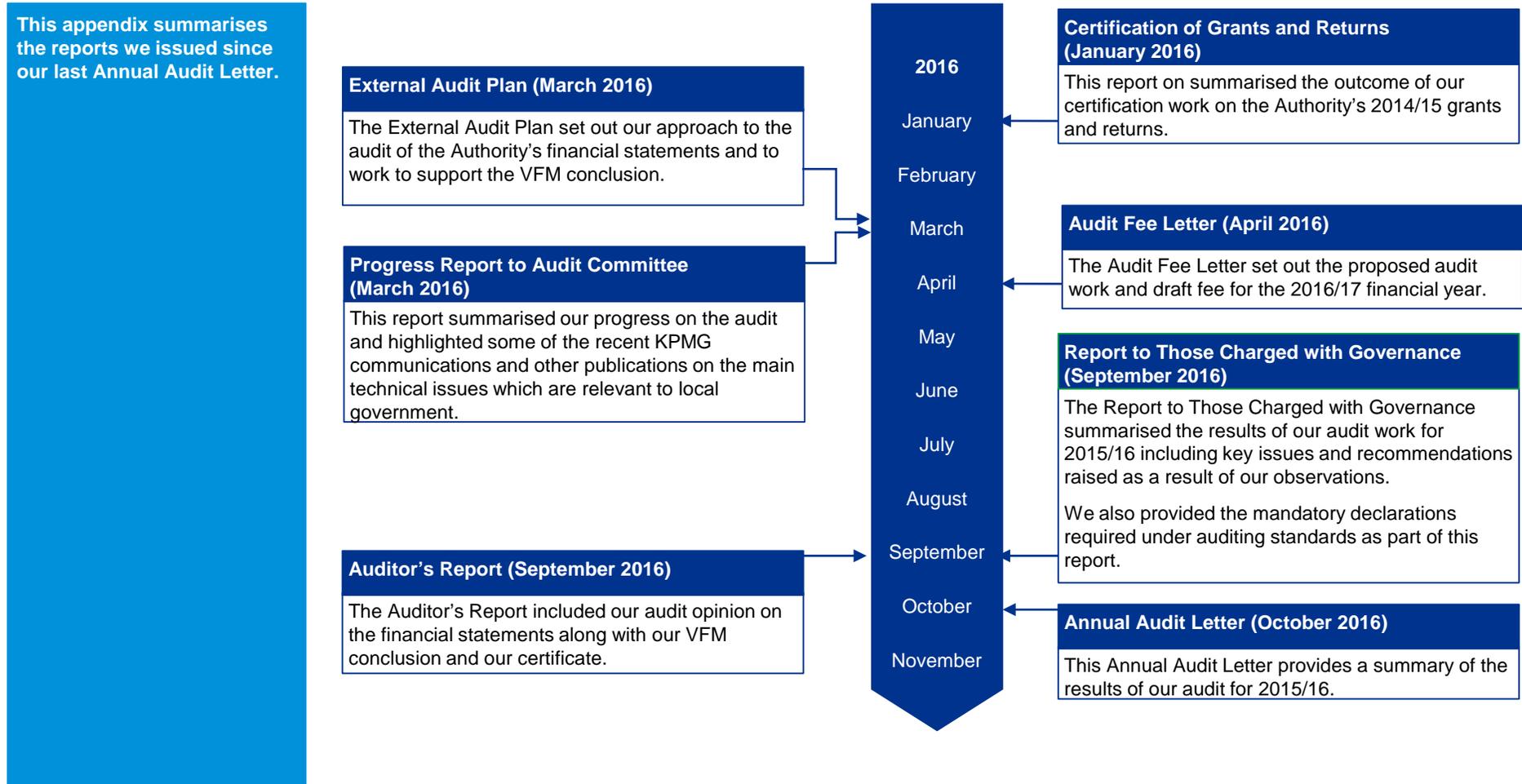
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<b>Audit opinion</b>	We issued an unqualified opinion on the Authority's financial statements on 30 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
<b>Annual Governance Statement</b>	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.
<b>Whole of Government Accounts</b>	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.
<b>Certificate</b>	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.
<b>Audit fee</b>	Our fee for the 2015/16 audit was £48,754, excluding VAT (£63,879 in 2014/15). Further detail is contained in Appendix 2.

# Appendix 1: Summary of reports issued

19



# Appendix 2: Audit fees

20

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, and the other fees charged in the year.

### External audit

Our final fee for the 2015/16 audit of the Authority was £48,754 excluding VAT (£63,879 in 2014/15). This was higher than the scale fee for the year of £47,185 and includes an additional fee of £1,569 relating to the additional work required for the significant audit opinion and VFM conclusion risks in the year. This fee is subject agreement with the Chief Finance Officer and approval by Public Sector Audit Appointments Limited (PSAA).

### Certification of grants and returns

Under our terms of engagement with PSAA 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 charged £3,000 for additional audit-related services for our Accountant's Report relating to the 2014/15 Pooling of Housing Capital Receipts Return, which is outside of PSAA's certification regime.



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