

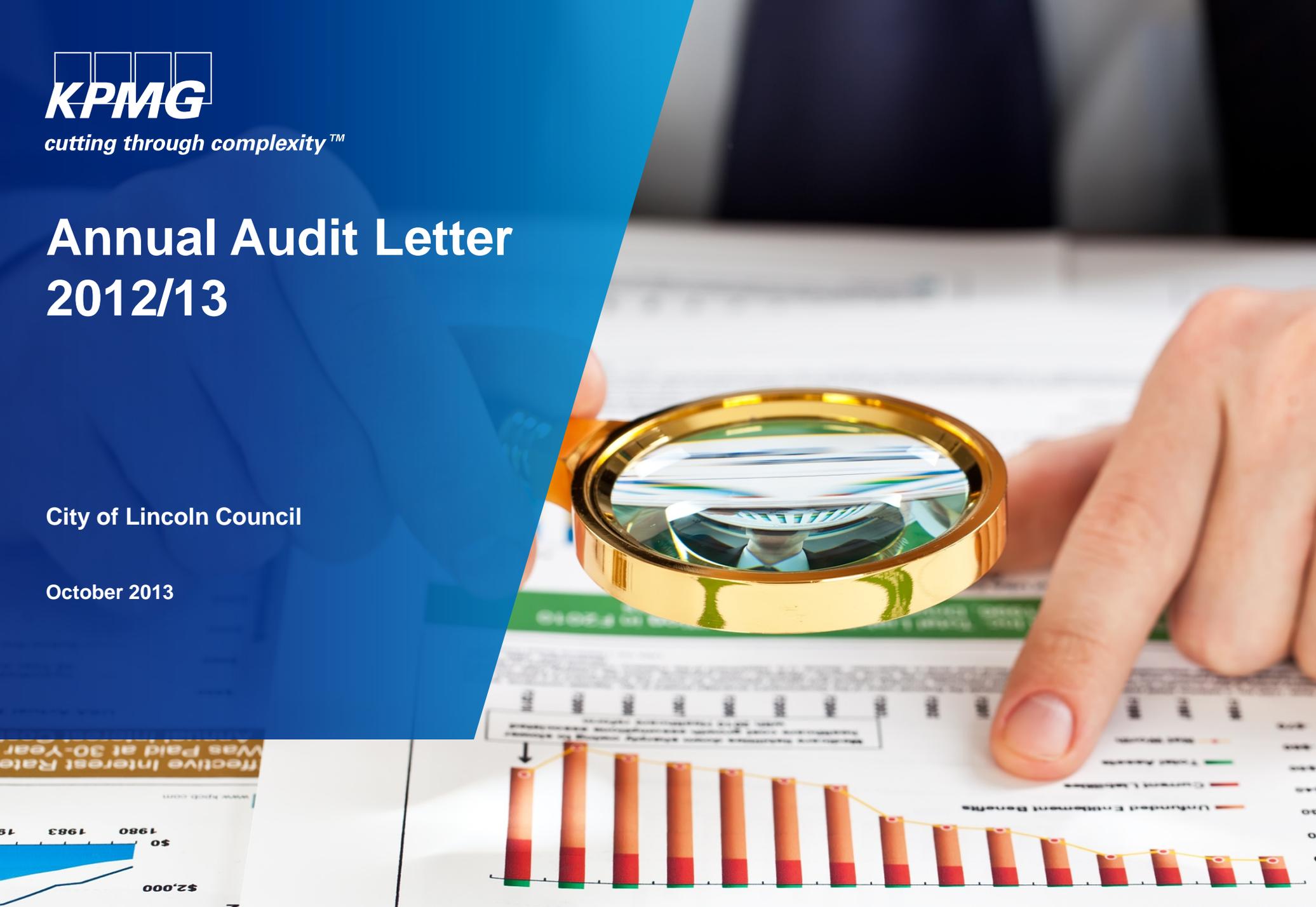


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# Annual Audit Letter 2012/13

City of Lincoln Council

October 2013



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## Report sections

- Headlines

## Appendices

1. Summary of reports issued
2. Audit fees

Page

2

4

5

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 has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 03034448330.

**This report summarises the key findings from our 2012/13 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 2012/13 financial statements and the 2012/13 VFM conclusion.**

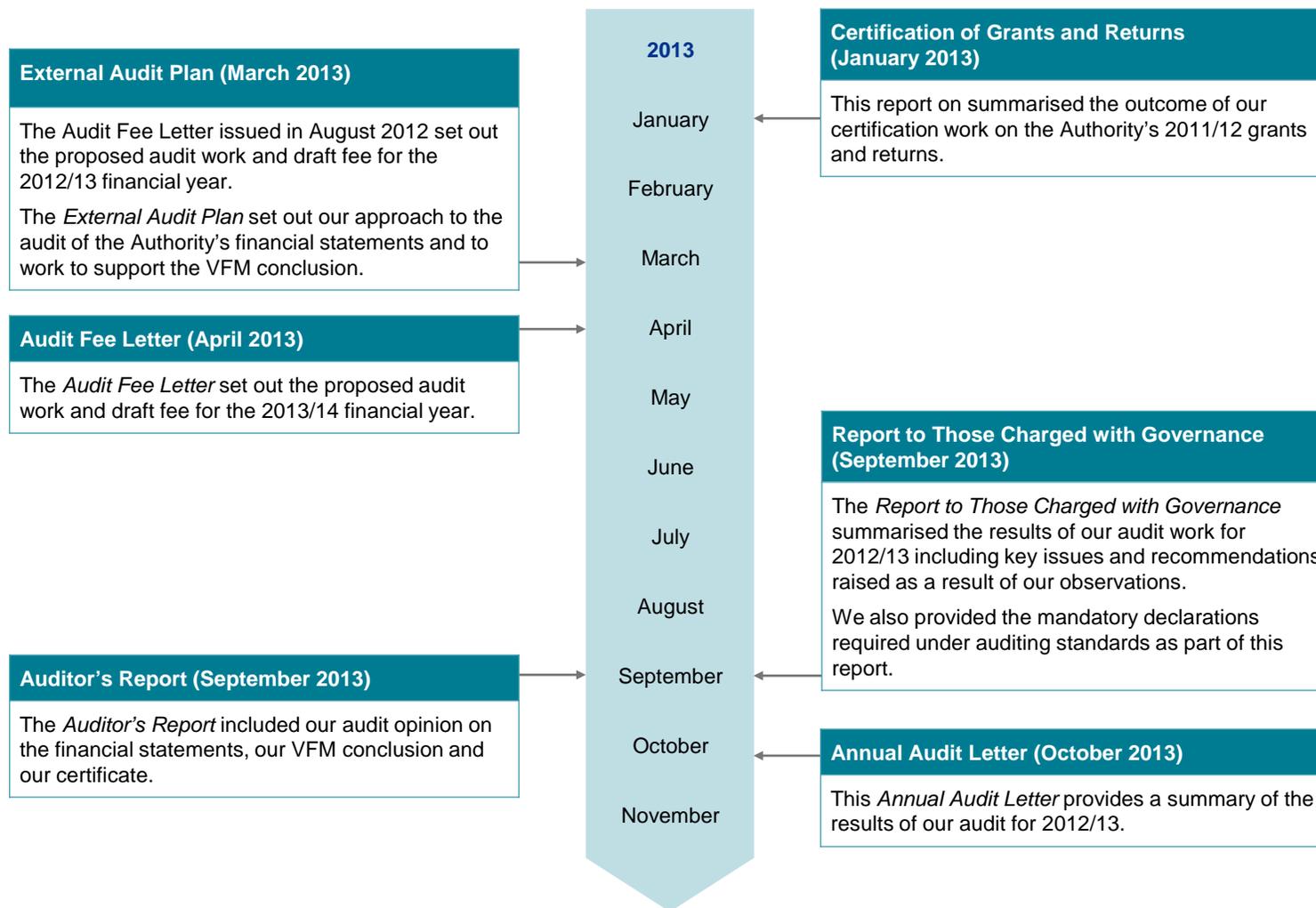
<b>VFM conclusion</b>	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 27 September 2013.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<b>VFM risk areas</b>	<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 required by 2016/17. The Authority was on target to make the savings required for 2013/14 and was making progress in developing the actions required to deliver the longer term savings required by the Strategy. 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>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 27 September 2013. 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>
<b>Financial statements audit</b>	<p>We reported the significant matters arising from the financial statements audit to the Audit Committee in our Report to those Charged with Governance. We did not need to report any significant audit differences to the Committee, and the quality of the accounts and supporting working papers was good. We did not highlight any specific areas for improvement.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

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

<b>Whole of Government Accounts</b>	We carried out the mandated audit work on the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We did not need to report to the National Audit Office any inconsistencies between the Authority's audited accounts and the submitted pack.
<b>Certificate</b>	We issued our certificate on 27 September 2013. The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
<b>Audit fee</b>	Our fee for 2012/13 was £63,213, excluding VAT. This included an additional £1,200 fee to meet the cost of the audit work required due to the change of payroll systems in the year. Further detail is contained in Appendix 2.

## Appendix 1: Summary of reports issued

This appendix summarises the reports we issued this year.



**This appendix provides information on our final fees for 2012/13.**

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

**External audit**

Our final fee for the 2012/13 audit of the Authority was £63,213. The Audit Commission's scale fee for the 2011/12 audit was £103,355. The 2012/13 fee reflects the reductions that the Audit Commission has been able to make to its scale fees following the market testing of audit services.

The final fee compares to a planned fee of £62,013. The reason for this variance is a £1,200 fee for the additional audit work required following the implementation of a new payroll system during 2012/13. To gain assurance over the validation of data transfer, we tested the controls over data migration and the operation of the new payroll processes. This one-off testing was out of the scope of the scale fee. The additional fee requested is still subject to final determination by the Audit Commission.

**Certification of grants and returns**

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in January 2014.



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