



<b>GA.25 13/14</b>
<b>Committee Governance and Audit Committee</b>
<b>Date 21<sup>th</sup> November 2013</b>

**D**

**Subject: Annual Audit Letter 2012/13**

Report by:

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Contact Officer:

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Purpose / Summary:

The purpose of the report is to present the Annual Audit Letter to the Governance and Audit Committee.

**RECOMMENDATION(S):**  
**That Members note and receive the information contained within this report.**

**IMPLICATIONS**

**Legal:**  
None arising from this report.

**Financial : FIN/45/14**  
As detailed within the Annual Audit Letter.  
The corporate Audit Fees are met from an approved budget, with any additional work charged to the relevant project budgets.

**Staffing :**  
None arising from this report.

**Equality and Diversity including Human Rights :**  
None arising from this report

**Risk Assessment :**  
None arising from this report.

**Climate Related Risks and Opportunities :**  
None arising from this report.

**Title and Location of any Background Papers used in the preparation of this report:**

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

*i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)*

**Yes**

**No**

**Key Decision:**

*A matter which affects two or more wards, or has significant financial implications*

**Yes**

**No**

## **Executive Summary**

The Annual Audit Letter is attached at Appendix A, the headlines of which include:

- An unqualified audit opinion on the 2012/13 Statement of Accounts
- An unqualified value for money (VFM) 2012/13 conclusion, however, one matter was raised by exception, relating to weaknesses in the Council's Governance arrangements.
- Certified Completion of the Audit
- Annual Governance Statement consistent with understanding of the Authority.

The report will be presented by Tony Crawley, Director, KPMG LLP (UK).



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# Annual Audit Letter 2012/13

West Lindsey District Council

October 2013



The contacts at KPMG in connection with this report are:

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## Report sections

- Headlines

## Appendices

1. Summary of reports issued
2. Audit fees

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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 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 West Lindsey District 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 value for money conclusion.**

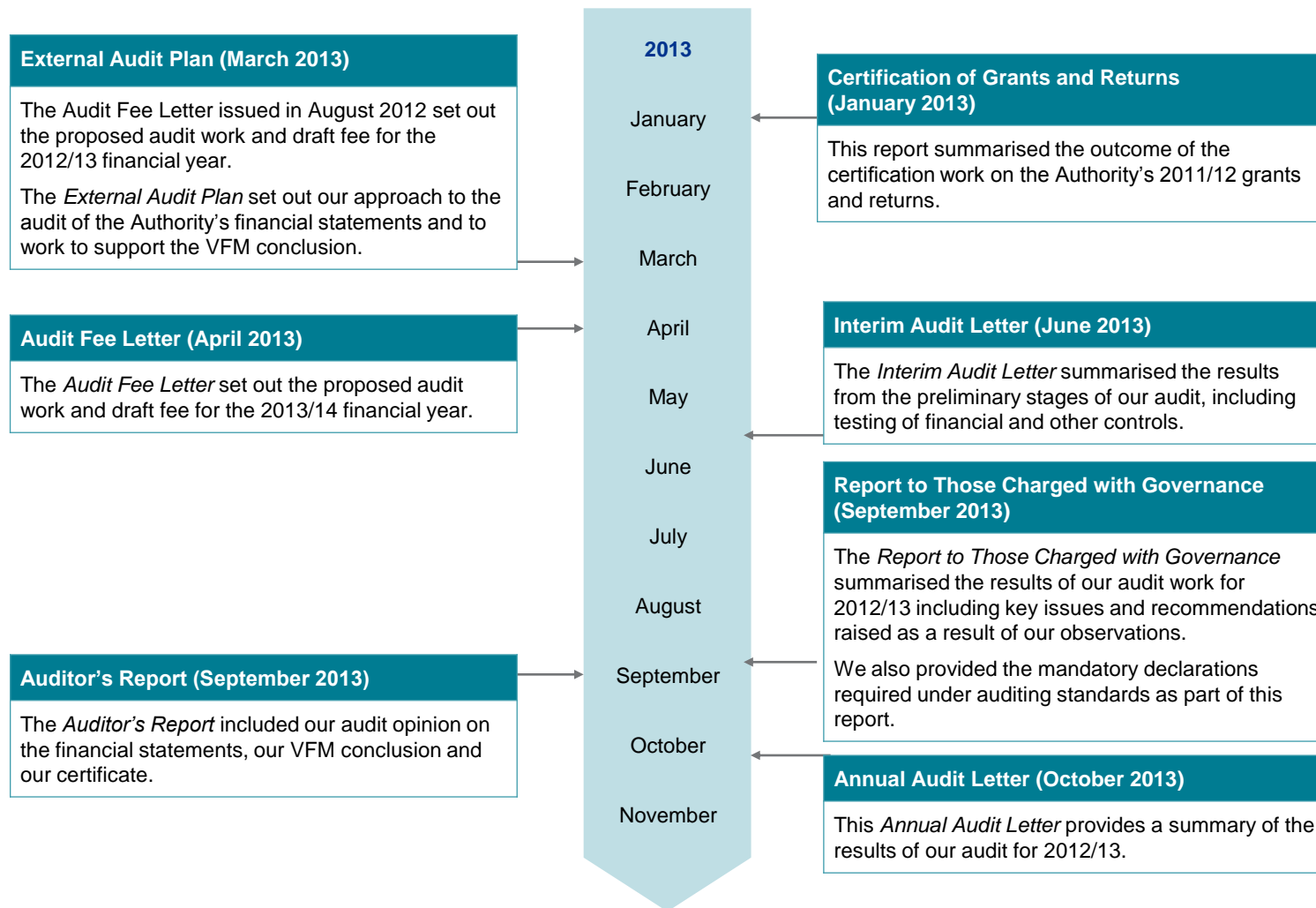
<p><b>Value for money (VFM) conclusion</b></p>	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 30 September 2013.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. 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> <p>We did, however, report one matter by exception relating to significant weaknesses in the Authority's governance arrangements, specifically in relation to its investment decisions and its need to balance good governance with its commercial strategy. We were able to make use of Internal audit's work to enable us to carry out our work, and in particular the identified failings in the Authority's governance process, and lack of transparency and weaknesses in the project management arrangements.</p> <p>This falls outside the scope of the Audit Commission's specified value for money criteria, but is covered by the Code of Audit Practice's requirement that Councils should promote and demonstrate the principles and values of good governance.</p>
<p><b>VFM risk areas</b></p>	<p>We identified one risk to our VFM conclusion during our planning early in 2013, relating to the level of savings required in 2012/13 and future years. We monitored the Authority's response to this during 2012/13 and found that it has significantly delivered its efficiency plan.</p> <p>Although the recent Comprehensive Spending Review presented further financial challenges that the Council will need to meet, we are assured that it has a robust medium term plan.</p>
<p><b>Audit opinion</b></p>	<p>We issued an unqualified opinion on your financial statements on 30 September confirming 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>
<p><b>Financial statements audit</b></p>	<p>The Authority has good processes in place for the production of the accounts and prepared good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.</p> <p>The Authority entered into an agreement with the Bright Red Dot Foundation to provide specialist management support for the application of its community asset fund. The unusual nature of the scheme meant that the accounting treatment was not straightforward and required detailed assessment. Our overall conclusion is that the Authority's treatment is reasonable and its presentation in the financial statements is materially correct.</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>Annual Governance Statement</b>	<p>The draft Annual Governance Statement was amended following our review because it did not properly reflect our understanding, specifically the red rating for governance in the Head of Internal Audit's Annual Report.</p> <p>The Authority revised the Annual Governance Statement and we concluded that this version was consistent with our understanding of the organisation. Officers and Members have resolved to review the format for future years.</p>
<b>Whole of Government Accounts</b>	<p>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 significant inconsistencies between the Authority's audited accounts and the submitted pack.</p>
<b>Certificate</b>	<p>We issued our certificate on 30 September 2013.</p> <p>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>.</p>
<b>Audit fee</b>	<p>The final fee for 2012/13 will be higher than the planned fee of £56,971 (excluding VAT), because we were required to do additional work in order to discharge our Code of Audit Practice responsibilities.</p> <p>We estimate that the additional fee will be £17,237, resulting in a final fee of £74,208. This is subject to agreement by the Audit Commission.</p> <p>Further detail is contained in Appendix 2.</p>

## 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 Governance and 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 is expected to be £74,208. This is an overall reduction of 22 percent on the comparative total fee for 2011/12 of £94,953. The final fee is 30% higher than the planned fee of £56,971 because additional work has been necessary to discharge our duties in line with the Code of Audit Practice.

- Substantial additional work was required in relation to the value for money conclusion. We held detailed discussions with officers, internal audit and the Chair of Governance and Audit and reviewed relevant documentation. We also needed to raise and resolve the issues relating to the late revision needed to the Annual Governance Statement. We expect this additional Code fee to be £8,637 but it is subject to final determination by the Audit Commission.
- The Authority is exploring opportunities to widen West Lindsey residents' access to broadband. We were provided with accounting proposals in relation to the scheme which we needed to consider. Our review included a number of discussions with officers and document reviews. This additional work has an associated fee of £2,901 but it is subject to final determination by the Audit Commission. We understand that the project remains under review by officers and we will liaise with them as appropriate in relation to our 2013/14 audit.
- Additional testing was required on the accounting treatment relating to the Bright Red Dot Foundation with an associated extra fee of £2,993.
- An elector exercised their right to challenge a planning decision made by the Authority. This was resolved without a formal objection but we were required to review the matter and liaise with the elector and the Authority. The fee is expected to be £2,706 but it is subject to final determination by the Audit Commission.

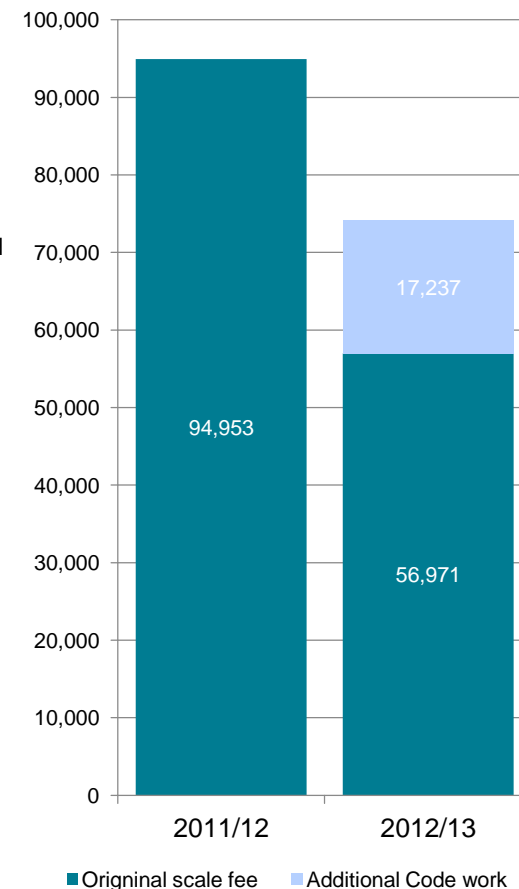
### Certification of grants and returns

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.

### Other services

We did not undertake any non-Code work for the Authority in 2012/13.

External audit fees 2012/13 (£'000)





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