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<b>GA.31 14/15</b>
Governance and Audit Committee
<b>20<sup>th</sup> November 2014</b>

**Subject: Annual Audit Letter 2013/14**

Report by:

Ian Knowles  
Director of Resources (S151)

Contact Officer:

Tracey Bircumshaw  
Group Accountant  
01427 676560  
Tracey.Bircumshaw@west-lindsey.gov.uk

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/83/15**  
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)*

<b>Yes</b>	<input type="checkbox"/>	<b>No</b>	<input checked="" type="checkbox"/>
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**Key Decision:**

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

<b>Yes</b>	<input type="checkbox"/>	<b>No</b>	<input checked="" type="checkbox"/>
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## **Executive Summary**

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

- An unqualified audit opinion on the 2013/14 Statement of Accounts
- An unqualified value for money (VFM) 2013/14 conclusion.
- Satisfactory improvement in relation to VFM risks identified in 2012/13 relating to the governance process and project management.
- 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 2013/14

West Lindsey District Council

24 October 2014



**The contacts at KPMG in connection with this report are:**

**Tony Crawley**

*Director*

*KPMG LLP (UK)*

Tel: **0116 256 6067**

tony.crawley@kpmg.co.uk

**Adrian Benselin**

*Manager*

*KPMG LLP (UK)*

Tel: **0116 256 6089**

adrian.benselin@kpmg.co.uk

**Louise Stables**

*Assistant Manager*

*KPMG LLP (UK)*

Tel: **0113 231 4747**

louise.stables@kpmg.co.uk

## 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 0303 4448 330.

This report summarises the key findings from our 2013/14 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 2013/14 financial statements and the 2013/14 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 26 September 2014. 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>
VFM risk areas	<p>In 2012/13 we reported significant weaknesses in the Authority's governance arrangements, specifically in relation to its investment decisions and the need to balance good governance with its commercial strategy.</p> <p>The Authority is exploring opportunities to widen residents' access to broadband. As set out in our audit plan, we used this project to test the Authority's governance process and project management arrangements. We found the arrangements to be satisfactory.</p> <p>The Authority now needs to ensure that the revised framework is embedded in an appropriate way for future project appraisal and management.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 26 September 2014. 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 identified two audit risks affecting the Authority's 2013/14 financial statements:</p> <ul style="list-style-type: none"> <li>■ A three-yearly valuation of the local government pension scheme by the scheme's actuary; and</li> <li>■ Changed accounting for the business rates retention scheme.</li> </ul> <p>In both cases the Authority addressed the issues appropriately.</p> <p>We identified one material misstatement which was adjusted. In addition, the Authority made a small number of non-trivial adjustments to the financial statements, most of which were of a presentational nature. There was no impact on the General Fund.</p> <p>We made two recommendations in our <i>Report to Those Charged with Governance</i>, but neither was fundamental or material to your system of internal control.</p>

**This report summarises the key findings from our 2013/14 audit of West Lindsey District Council (the Authority).**

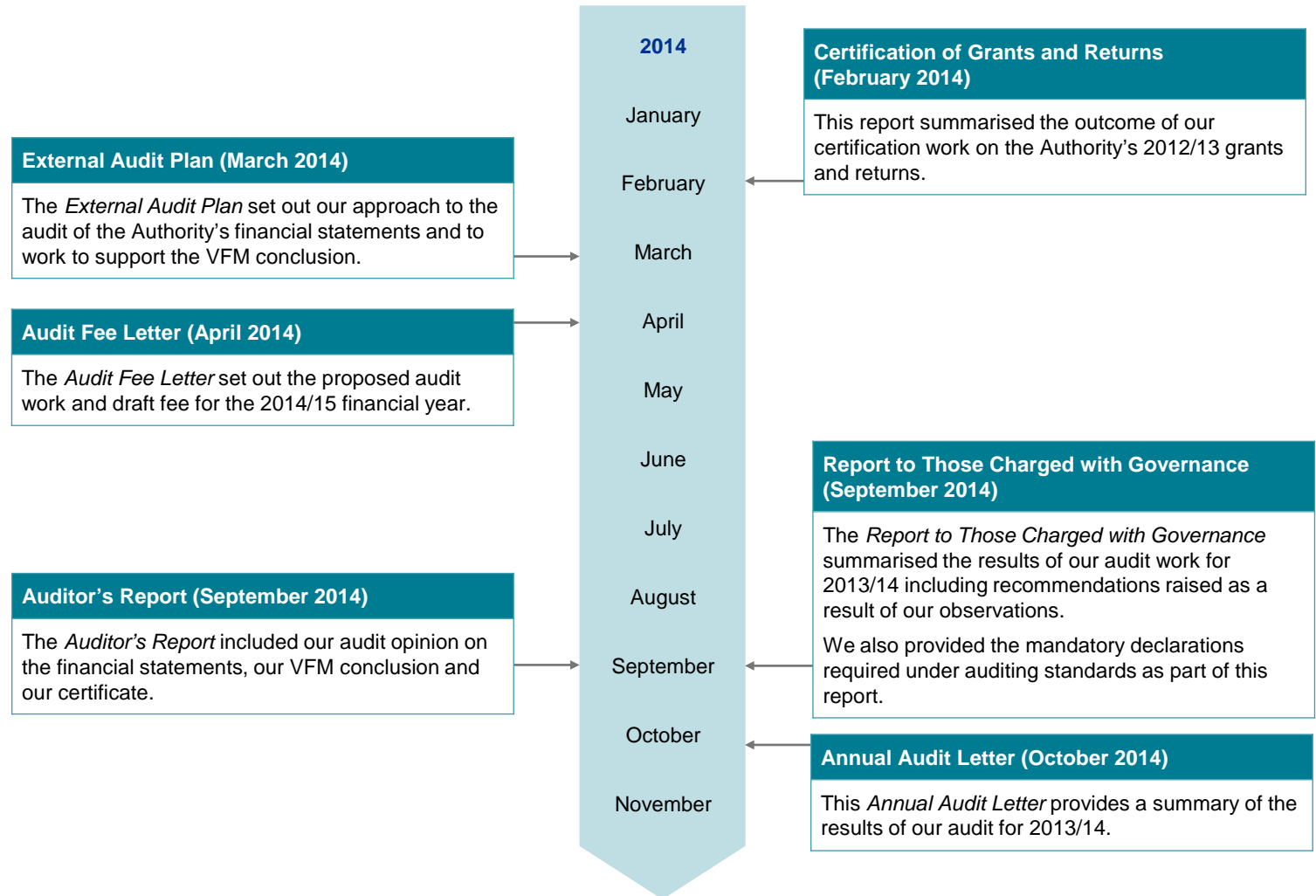
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<b>Annual Governance Statement</b>	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of your arrangements.
<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that pension liabilities and property, plant & equipment disclosed in the consolidation pack were consistent with the audited statutory accounts.
<b>Certificate</b>	We issued our certificate on 26 September 2014. The certificate confirms that we have concluded the audit for 2013/14 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>	The final fee for 2013/14 will be higher than the Audit Commission's scale fee of £56,971 (excluding VAT), because we were required to do additional work in order to discharge our Code of Audit Practice responsibilities. We highlighted in our audit plan that we would need to carry out additional work to follow up the 2012/13 governance issues, but at the planning stage it was not clear what the extent of that extra work would be. We are now able to quantify the work done, and propose that the additional fee will be £3,831, resulting in a final fee of £60,802. This is subject to agreement by the Audit Commission. This proposal also includes additional work on business rates income. 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*.





This appendix provides information on our final fees for 2013/14.

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 2013/14 planned audit fee.

### External audit

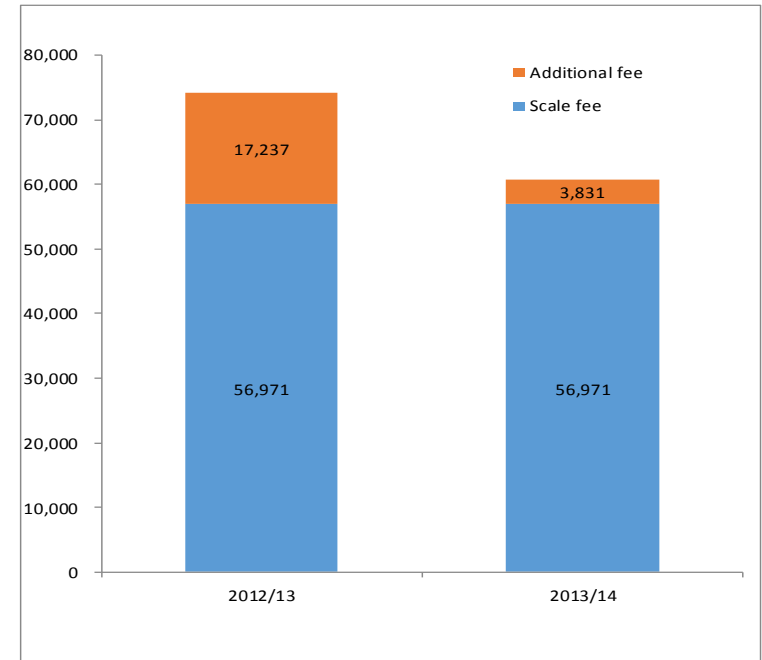
We propose that our final fee for the 2013/14 audit of the Authority is £60,802. This is an overall reduction of 18 percent on the comparative total fee for 2012/13 of £74,208. The proposed final fee is 7% higher than the planned fee of £56,971 because additional work has been necessary to discharge our duties in line with the Code of Audit Practice in two areas as set out below.

- In our 2012/13 VFM conclusion we reported that we considered governance arrangements to be inadequate, specifically in relation to investment decisions and the need to balance good governance with commercial strategy. We have used the broadband project to review the Authority's governance process and project management arrangements. Our review included discussions with officers, members and internal audit, and document reviews. This additional work has an associated fee of £2,931, subject to final determination by the Audit Commission.
- We have previously carried out work while certifying the national non-domestic rates return (the NNDR3 return), and relied upon this work for our opinion audit. In 2013/14, as a result of there no longer being any certification of the NNDR3 return, we have had to carry out this work as additional procedures to our opinion audit. This additional work has an associated fee of £900, again 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 2013/14* which we are due to issue in February 2015.

### External audit fees 2013/14 (£)



### Other services

We facilitated a workshop for members of the Governance and Audit Committee, which was designed to enable the Committee to better understand its role; how it receives and challenges reports; how it ensures that it gets the assurances it needs from other committees, officers and internal audit; and the appropriateness of matters discussed at its meetings.

Our fee for the workshop was £3,250 plus VAT.

We did not undertake any other non-Code work for the Authority in 2013/14.



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