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# Annual Audit Letter 2013/14

Lancaster City Council

October 2014



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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 Timothy Cutler, 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 Lancaster City 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.**

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 17 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>
<b>VFM risk areas</b>	<p>We identified a number of significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.</p> <p>Our work identified the following:</p> <ul style="list-style-type: none"> <li>■ The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> <li>■ The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</li> </ul> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 17 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>
<b>Financial statements audit</b>	<p>We identified one significant audit risk during the audit and reported this to the Audit Committee in our Audit Highlights Memorandum. A summary of this risk and our findings is detailed below:</p> <ul style="list-style-type: none"> <li>■ As a result of the introduction of the Business Rates Retention Scheme, the Authority was required to recognise a provision within the financial statements which estimates the potential cost of outstanding business rate appeals up until 31 March 2014. As the calculation of the provision required management to make significant assumptions and judgements in relation to Lancaster's hereditaments under appeal, in particular, the two power stations, management chose to use an expert, Inform-CPI, to assist them in calculating the provision. Following our audit work, we were satisfied with the basis of the estimate for the NNDR provision included within the financial statements.</li> </ul>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

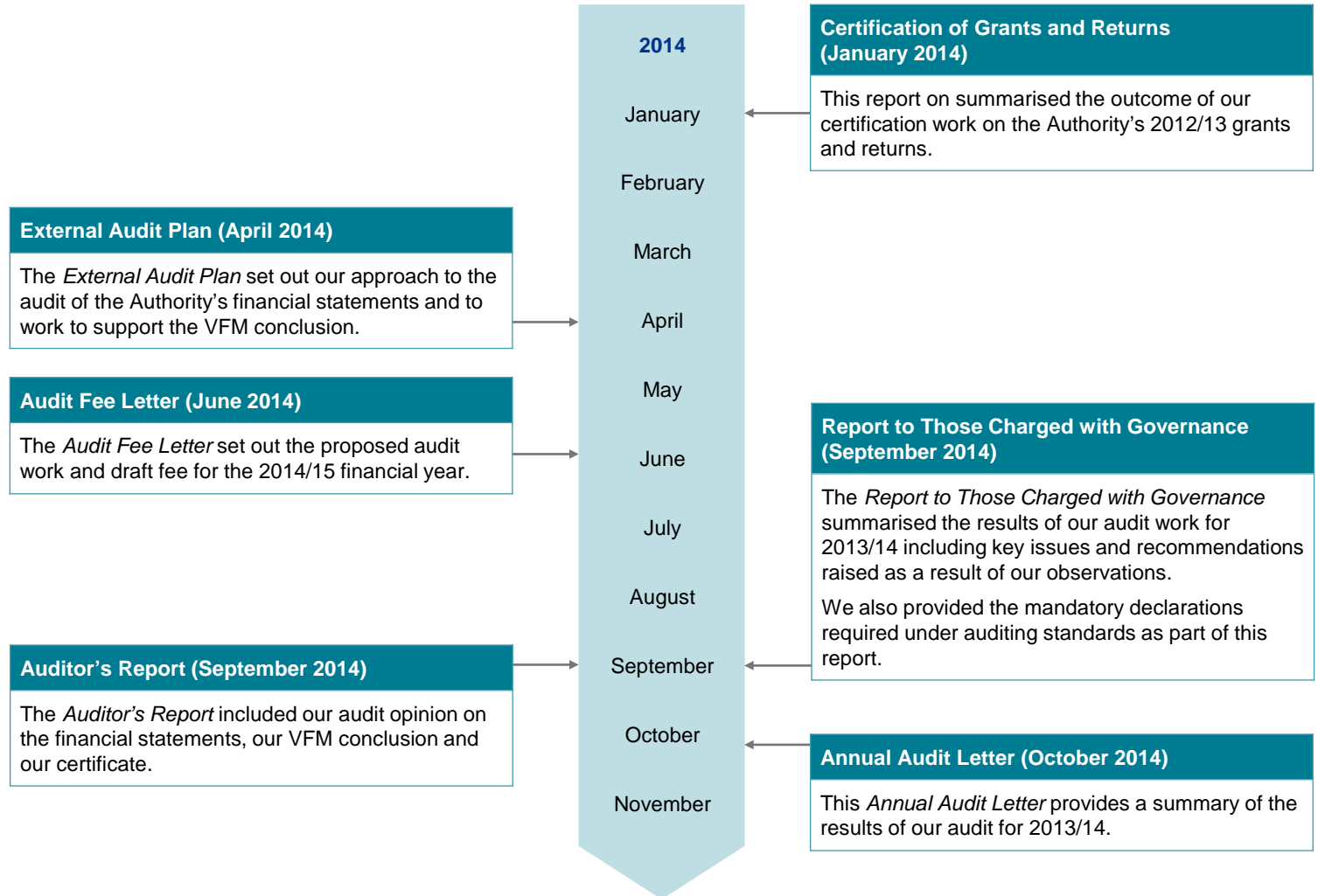
**We provide a summary of our key recommendations in Appendix 1.**

**All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.**

<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 the Authority's pack was consistent with the audited financial statements.
<b>High priority recommendations</b>	No high priority recommendations were identified as a result of our 2013/14 audit work. Lower priority recommendations have been reported, as appropriate, in our Audit Highlights Memorandum.
<b>Certificate</b>	We issued our certificate on 17 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>	Our proposed final fee for 2013/14 is £82,881, excluding VAT. This represents a £5,931 increase on the planned audit fee (£76,950) due to the additional work required as part of the audit. Audit Commission fee variations have been raised for the additional work; 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 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**

Our proposed final fee for 2013/14 audit of the Authority is £82,881, excluding VAT. This represents a £5,931 increase on the planned audit fee of £76,950. Three Audit Commission fee variations have been raised for the additional fee, one of which has been approved and the other two are currently being reviewed. The fee variations are a result of:

- additional work in relation to a request for a public interest investigation and report. £3,462 fee variation approved;
- the additional risk-based work required to obtain assurance over the NNDR appeals provision included in the 2013/14 financial statements. £1,569 fee variation under review; and
- the additional work we have undertaken on the financial statements audit, as a result of not certifying LA01 (the NNDR3 return). £900 fee variation under review.

We will only invoice the outstanding fee variations once the Audit Commission has approved them.

**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 January 2015.



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