



Annual Audit Letter 2015/16

Lancaster City Council

—

October 2016



Contents

The contacts at KPMG in connection with this report are:

Tim Cutler
Partner

KPMG LLP (UK)

Tel: 0161 246 4774
tim.cutler@kpmg.co.uk

Richard Lee
Senior Manager

KPMG LLP (UK)

Tel: 0161 246 4661
richard.lee@kpmg.co.uk

Page

Report sections

— Headlines 3

Appendices

1. Summary of reports issues 6

2. Audit fees 7

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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.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.

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 Tim Cutler, 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). 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, 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 Lancaster City Council in relation to the 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.

<p>VFM conclusion</p>	<p>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 the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
<p>VFM risk areas</p>	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> — Financial resilience <p>The Authority continues to face substantial budgetary pressures – largely as a result of the significant cuts in Government funding as part of its programme of reductions in public sector spending. To date it has managed these through a combination of measures, mainly through efficiency savings. However the cumulative impact of these budget pressures results in a risk to the ongoing financial viability of the authority.</p> <p>The Authority achieved a £331,000 under-spend against its revised budget for the year ended 31 March 2016 demonstrating it is able to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p> <p>We have concluded that the arrangements in place for identifying, implementing and monitoring savings and efficiency targets were sufficient to ensure the Authority achieved its financial budget in 2015/16.</p> <p>For 2016/17, savings and growth of £986k have been identified to help balance the budget. However this is in addition to increases in Council Tax of £5.00 per band D property (£2.45%). The Authority will now need to monitor this savings position carefully and take any action as appropriate to ensure that the budget is achieved.</p>
<p>Audit opinion</p>	<p>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.</p>

Headlines (cont)

<p>All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.</p>	<p>Financial statements audit</p>	<p>We received complete draft accounts on 27 June 2016 ahead of the DCLG deadline. The accounting policies, accounting estimates and financial statement disclosures were in line with the requirements of the Code.</p> <p>The quality of the accounts and the supporting working papers was maintained at a high standard in 2015/16, which assisted with the delivery of an effective and efficient audit. As a result, the audit process was completed within the planned timescales.</p> <p>During our audit we did not identify any corrected or uncorrected audit adjustments. We agreed a number of presentational changes to the Statement of Accounts with management which were corrected in the final version of the accounts.</p> <p>The Authority has implemented all of the recommendations identified in 2014/15 relating to the financial statements.</p>
	<p>Other information accompanying the financial statements</p>	<p>Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.</p>
	<p>Whole of Government Accounts</p>	<p>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.</p>
	<p>Recommendations</p>	<p>We have raised three recommendations in 2015/16. These are in respect of the following issues:</p> <p>Fixed Asset Module to Northgate Housing Management System reconciliation - we noted that the fixed asset module reconciliation to the housing management system is not formally documented.</p> <p>General IT controls user access - we identified that no periodic review is performed to ensure that staff have appropriate access rights to the general ledger. We also noted that for two individuals with access to the creditors module, authorisation limits or access rights had not been updated to reflect their revised job roles.</p> <p>Declarations of interest – we observed that declaration of interest forms were not updated for all key officers and members.</p> <p>None of the recommendations raised were classified as high priority. The recommendations raised have been accepted by management. We will follow these recommendations up as part of our 2016/17 audit work.</p>

Section one

Headlines (cont)

We will issue our certificate to confirm the completion of our audit responsibilities once we have considered matters brought to our attention by a local elector.

Certificate	We have not yet issued our certificate confirming the conclusion of the audit. This is because we are currently considering information brought to our attention by a local elector. Once this matter has been addressed we will issue the 2015/16 closure certificate.
Audit fee	Our fee for 2015/16 was £58,388, excluding VAT. Further detail is contained in Appendix 2. This fee is in line with that highlighted within our audit plan presented to Audit Committee in June 2016.

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee pages on the Authority's website at www.Lancaster.gov.uk.

External Audit Plan (June 2016)

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

Audit Fee Letter (June 2016)

The Audit Fee Letter set out the proposed audit work and draft fee for the 2016/17 financial year.

Auditor's Report (September 2016)

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion.

2016

January

February

March

April

May

June

July

August

September

October

November

Certification of Grants and Returns (June 2016)

This letter summarised the outcome of our certification work on the Authority's 2014/15 grants and returns.

Report to Those Charged with Governance (September 2016)

The Report to Those Charged with Governance summarised the results of our audit work for 2015/16 including key issues and recommendations raised as a result of our observations. We also provided the mandatory declarations required under auditing standards as part of this report.

Annual Audit Letter (October 2016)

This Annual Audit Letter provides a summary of the results of our audit for 2015/16.

Appendix 2: Audit fees

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.

External audit

Our final fee for the 2015/16 audit of the authority was £58,388 plus VAT.

Our fees are still subject to final determination by Public Sector Audit Appointments.

Other services

Our scale fee for certification for the HBCOUNT is £9,573 plus VAT. Our work on this claim is ongoing.

Our fee for certification of the Pooling of Housing Capital Receipts return is £3,000 plus VAT. Our work on this return is ongoing.



kpmg.com/socialmedia



kpmg.com/app

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

KPMG LLP is multi-disciplinary practice authorised and regulated by the Solicitors Regulation Authority. For full details of our professional regulation please refer to 'Regulatory Information' at www.kpmg.com/uk

The KPMG name and logo are registered trademarks or trademarks of KPMG International.