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# Annual Audit Letter 2010/11

Lancaster City Council

26 October 2011

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

**Stephen Clark**

*Director*

*KPMG LLP (UK)*

Tel: +44 (0) 131 231 3148

[stephen.clark@kpmg.co.uk](mailto:stephen.clark@kpmg.co.uk)

**Heather Garrett**

*Manager*

*KPMG LLP (UK)*

Tel: + 44 (0) 161 246 4924

[heather.garrett@kpmg.co.uk](mailto:heather.garrett@kpmg.co.uk)

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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 Stephen Clark, 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, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

**This report summarises the key findings from our 2010/11 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 2010/11 financial statements and the 2010/11 VFM conclusion.**

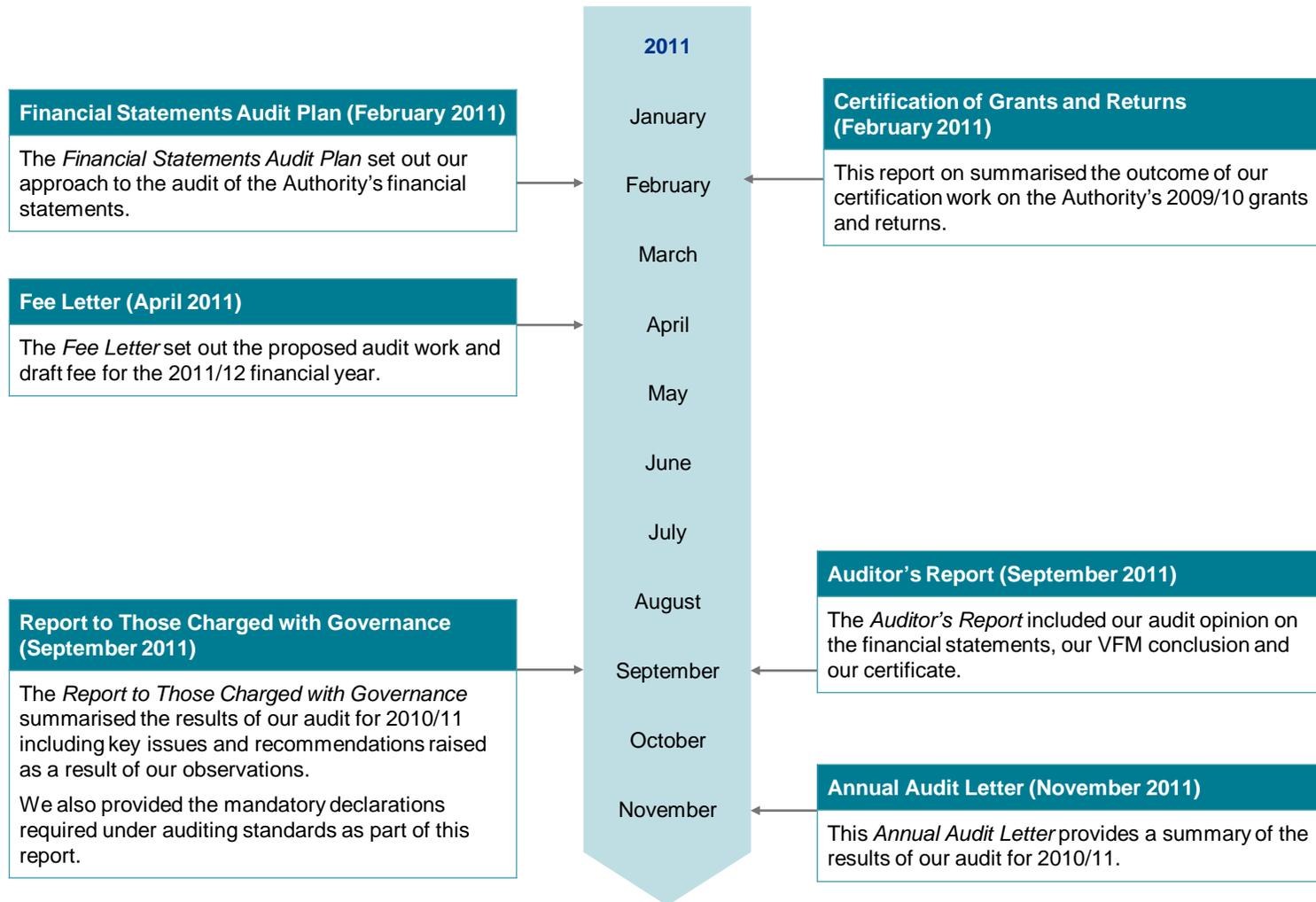
<b>VFM conclusion</b>	<p>We issued an unqualified value for money ('VFM') conclusion for 2010/11 on 30 September 2011.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To 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>We identified one significant risk to our VFM conclusion in relation to the financial pressures faced by the Authority following the Comprehensive Spending Review (CSR). This was detailed in our Audit Plan for 2010/11. Our work considered the arrangements you have put in place to mitigate the identified risk.</p> <p>Our work identified that the Authority had undertaken planning ahead of the outcomes of the CSR, which meant that many of the savings options had been identified for 2011/12.</p> <p>The Authority had a change in political leadership following the May elections. It will be critical for the new leadership to determine what its priorities are for the 2012/13 financial year. This will give clarity to the decision making process (for example, regarding the redirection of resources) so that the Authority can set a balanced budget. The budget savings requirement for 2012/13 was originally expected to be around £1 million.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 30 September 2011. 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>Our audit identified one material audit adjustment to correct a duplicated entry. The adjustment was presentational in nature and was in relation to the Collection Fund. The impact of the adjustment has increased the income and expenditure within the Collection Fund by £1.8 million, with no impact on the Fund's net balance. There was no impact on the general fund or net assets.</p> <p>We also requested a number of presentational changes to the notes to the financial statements.</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>High priority recommendations</b>	<p>We raised a number of control recommendations during the course of our audit. Implementation of these will strengthen the Authority's control environment. None of the recommendations raised were deemed to be critical (high priority) to the operation of the Authority.</p> <p>We will follow up on the Authority's progress in implementing our recommendations as part of the 2011/12 audit.</p>
<b>Certificate</b>	<p>We issued our certificate on 30 September 2011, alongside the audit opinion and VFM conclusion.</p> <p>The certificate confirms that we have concluded the audit for 2010/11 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>Our fee for 2010/11 was £139,288, excluding VAT. This was higher than our original plan, as we were required to undertake work in response to queries raised by electors within the area. Further detail is contained in Appendix 2.</p>

## 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 2010/11.

To make sure that there is openness between us and your Audit Committee about the extent of our fee relationship with you, we have summarised below the outturn against the 2010/11 planned external audit fee.

**External audit**

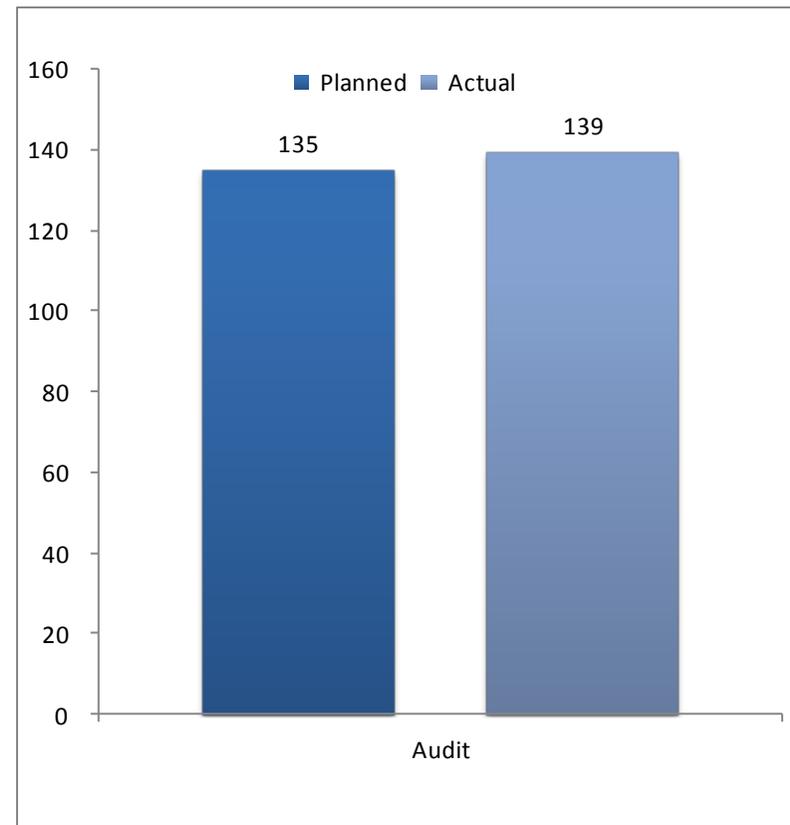
Our final fee for the 2010/11 audit of Lancaster City Council was £139,288. This compares to a planned fee of £135,000.

During the course of the audit queries were raised by electors within the Lancaster area. As part of our responsibilities as auditors of the Authority we were required to consider the matters raised and provide responses to the electors. The time spent on these queries is outside of the normal audit fee and is charged to the Authority based on the Audit Commission's scale rates.

**Certification of grants an returns**

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2010/11* which we are due to issue in February 2012.

**External audit fees 2010/11 (£'000)**





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