



*cutting through complexity*

# External audit progress report

**Lincolnshire County Council**

March 2016

This report provides the Audit Committee with an overview on progress in delivering our responsibilities as your external auditors.

Page 34

PROGRESS REPORT	
Progress Report	3
APPENDICES	
Appendix 1 - Audit Deliverables 2015/16	9



*cutting through complexity™*

# Progress report

This document provides the Audit Committee with a high level overview on our external audit planning.

At the end of each stage of the audit we issue certain deliverables, including

reports and opinions. A summary of progress against these deliverables is provided in Appendix 1 of this report.

### Audit Plan 2015/16

We have updated our risk assessments and will present the draft 2015/16 audit plan for the external audit of the Authority and the Lincolnshire Pension Fund to the March 2016 Audit Committee. We have continued to liaise with management on the significant financial and operational issues at the Council.

#### Financial statements audits – Lincolnshire County Council and Lincolnshire Pension Fund

The interim audit work is still in progress and is expected to be complete by the end of March 2016.

The planned audit work has included:

- Review of the Agresso processes for the general ledger, bank reconciliation, payroll and accounts payable;
- Testing of journal controls and general ledger opening balances;
- Review of the pension specific processes for investments and payment of pensions;
- Review of the fixed asset register;
- Review of the new pension administration arrangements;
- liaison with Internal Audit regarding their work programme and findings;
- Determining our approach for data and analytics testing;
- Discussing the accounting requirements for 2015/16, including relevant changes to the CIPFA guidance; and
- Discussing with management the general proposals for the closure of accounts process and our working paper requirements.

Managers are continuing to work to resolve the significant issues with the operation of the Agresso system. These included:

- Incomplete control account reconciliations, including material unresolved differences relating to payroll;
- Backlogs in processing journals and other transactions; and
- Unavailability of key system reports (specifically the trial balance report) and the need to test the operation of some system facilities (specifically the Capital module).

We will continue to keep the Audit Committee informed on the progress on our audit.

## External audit progress report – March 2016 (continued)

<b>Audit Plan 2015/16</b> <b>(continued)</b>	<b>Value for Money Conclusion</b>  We have carried out our initial risk assessment against the new criterion specified by the National Audit Office for 2015/16 onwards. We have identified the following as risk areas where we need to carry out further work during the remainder of the audit: <ul style="list-style-type: none"><li>• Operation of the Serco support services contract - we will continue to monitor your progress in addressing the continuing issues with the operation of the contract with Serco.</li><li>• Managing you budget and shaping your medium term financial strategy – we will monitor your progress in establishing arrangements for ensuring effective budget management control through the new Agresso system and discuss with management the Council’s progress in managing its medium term financial position.</li></ul> We will update our risk assessment during the year and report our conclusions in the ISA260 report to the Audit Committee in September 2016.		
<b>Audit fee update</b>	The indicative audit fee notified to the Council in April 2015, was £107,325 ( £143,100 in 2014/15) for the Council's audit and £24,350 (£24,350 in 2014/15) for the Pension Fund. We have set out in our Audit Plan a number of audit risks and other factors which are likely to require us to carry out additional work in support of our audit opinions and value for money conclusion. We will update the Audit Committee as the audit progresses on any likely changes to the fee, and confirm the final fee later for the year in our Annual Audit Letter. Any increase would in any case be subject to the approval of the PSAA.		
<b>Other work</b>	In January 2016 we provided management with an external auditor's assurance report on your arrangements for managing and controlling education training provider subcontractors in 2015/16. This report is required under the funding agreement with the Skills Funding Agency. We charged £5,500 for this work.		
<b>Actions</b>	We ask the Audit Committee to: <ul style="list-style-type: none"><li>▪ <b>NOTE</b> this progress report.</li></ul>		
<b>Contacts</b>	The key contacts in relation to our audit of the Council and the Pension Fund are:		
	John Cornett, Director John.cornett@kpmg.co.uk	Mike Norman, Manager Michael.norman@kpmg.co.uk	John Pressley, Assistant Manager John.pressley@kpmg.co.uk



*cutting through complexity™*

# Appendix 1

## Appendix 1 – 2015/16 Audit deliverables – Authority and Pension Fund

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2015	Issued April 2015
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016 (for March 2016 Audit Committee)	To March 16 Audit Cttee
<b>Interim</b>			
Interim progress report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit.	April 2016	TBC
<b>Substantive procedures</b>			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC



*cutting through complexity™*

© 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.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.