



# Annual Audit Letter 2015/16

Page 287

Lincolnshire County Council

December 2016



Agenda Item 11

# Contents

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

**John Cornett**

*Director*

KPMG LLP (UK)

Tel: 0116 256 6064  
john.cornett@kpmg.co.uk

**Mike Norman**

*Manager*

KPMG LLP (UK)

Tel: 0115 945 3554  
michael.norman@kpmg.co.uk

**John Pressley**

*Assistant Manager*

KPMG LLP (UK)

Tel: 0115 945 3471  
john.pressley@kpmg.co.uk

**Page**

**Report sections**

|             |   |
|-------------|---|
| — Headlines | 3 |
|-------------|---|

**Appendices**

|                              |   |
|------------------------------|---|
| 1. Summary of reports issued | 4 |
| 2. Audit fees                | 5 |

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](http://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 John Cornett, 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](mailto: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](mailto: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.

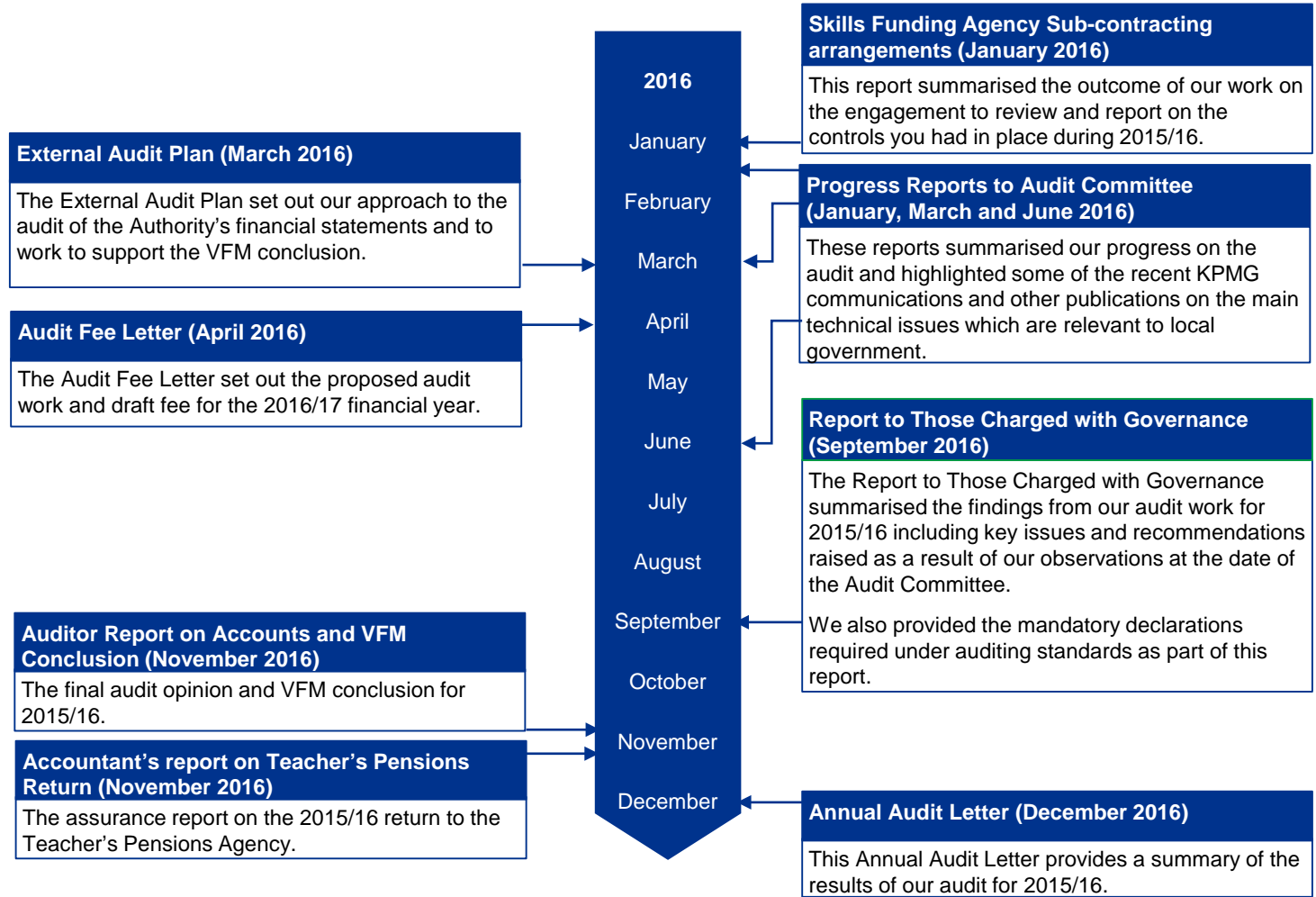
This Annual Audit Letter summarises the outcome from our audit work at Lincolnshire County Council in relation to the 2015/16 audit year.

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.

|  |   |
|--|---|
| <b>Audit opinion</b>                     | We gave an unqualified audit opinion on the 2015/16 accounts of the Authority and the Lincolnshire Pension Fund on 18 November 2016. Our report to the 26 September 2016 Audit Committee summarised the findings from our audit work at that stage, the reasons for the audit opinion being delayed and the work in progress to resolve the outstanding queries. We updated the Audit Committee verbally on the matters arising from the further work at its November 2016 meeting. We also gave an unqualified opinion on the Pension Fund Annual Report.  |
| <b>VFM Conclusion and VFM risk areas</b> | <p>Our initial risk assessment took into account the Authority's key business risks which are relevant to our VFM conclusion. We identified the following VFM risks in our <i>External audit plan 2015/16</i> issued in March 2016.</p> <ul style="list-style-type: none"> <li>— Operation of the new Support Services Contract</li> <li>— Managing your budget and shaping your medium term financial strategy</li> </ul> <p>We worked with officers throughout the year to discuss these VFM risks. An integral component of the new support services contract arrangements has been the implementation of a replacement corporate financial system for 2015/16. It has taken longer than anticipated for the support services provider and the Authority to resolve the issues arising during the implementation of the new system. There were difficulties in making payments to creditors and staff, and incomplete and inaccurate postings to the general ledger meant that fully effective financial management and reporting arrangements had not been in place for the majority of the year at the Authority. The contract and system implementation programme monitoring arrangements have continued beyond the originally planned end date of June 2015. An Authority lead Recovery Board was set up in October 2015 and is expected to be in place until at least early 2017. The National Audit Office's criteria for the value for money conclusion includes a requirement that we assess the adequacy of an authority's arrangements for 'informed decision making' and 'working with partners and third parties'. On the basis of the matters identified above and the National Audit Office's criteria we issue a qualified 'except for' value for money conclusion for 2015/16 in our 18 November 2016 auditor's report.</p> <p>The Authority is continuing to work with its support services provider to improve its arrangements and to act on the matters identified in the independent 'lessons learned' review report received in November 2016.</p> |
| <b>Annual Governance Statement</b>       | We reviewed your <i>Annual Governance Statement</i> and plan to report in our audit opinion that it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements and other audit work.   |
| <b>Whole of Government Accounts</b>      | The Authority prepares a consolidation pack to support the production of Whole of Government Accounts (WGA) by HM Treasury. We are required to review your pack in detail and confirm whether it is consistent with the audited financial statements. This work is complete and we issued an unqualified assurance report on 18 November 2016.  |
| <b>Certificate</b>                       | The issue of the annual audit certificate confirms that we have concluded the audit for the year in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice. We issued the certificate on 18 November 2016.  |
| <b>Audit fee</b>                         | Our fees for the 2015/16 audit are summarised at Appendix 2. The final fee for the audit has still to be determined and is subject agreement with the Executive Director of Finance and Public Protection and approval by Public Sector Audit Appointments Limited (PSAA).  |

# Appendix 1: Summary of reports issued

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



# 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 2015/16 planned audit fee, and the other fees charged in the year.

## External audit

Our scale fee for the Authority's audit is £107,325 plus VAT (£143,100 in 2014/15), and £24,350 plus VAT for the Pension Fund (£24,350 in 2014/15). Our audit has included additional work in relation to the significant audit opinion and value for money conclusion risks summarised in this report. We will discuss with management the additional fee required in relation to this work and keep the Audit Committee informed. In any event an agreed additional fee is subject to final determination by Public Sector Audit Appointments Limited.

## Other services

During 2015/16 we charged a total of £18,425 the following for other services:

£4,000 (plus VAT) for the Accountant's report on the 2014/15 Teachers' Pension return

£5,000 (plus VAT) for our report on the controls relating to the Skills Funding Agency (SFA) subcontracting arrangements 2015/16.

£9,425 (plus VAT) for tax advice regarding the Lincolnshire Pension Fund.



[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



[kpmg.com/app](https://kpmg.com/app)

© 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 and logo are registered trademarks or trademarks of KPMG International.