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Annual Audit Letter 2012/13

Lincolnshire County Council

October 2013





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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.

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 Tony Crawley, 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, 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises the key findings from our 2012/13 audit of Lincolnshire County 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 2012/13 financial statements and the 2012/13 VFM conclusion.

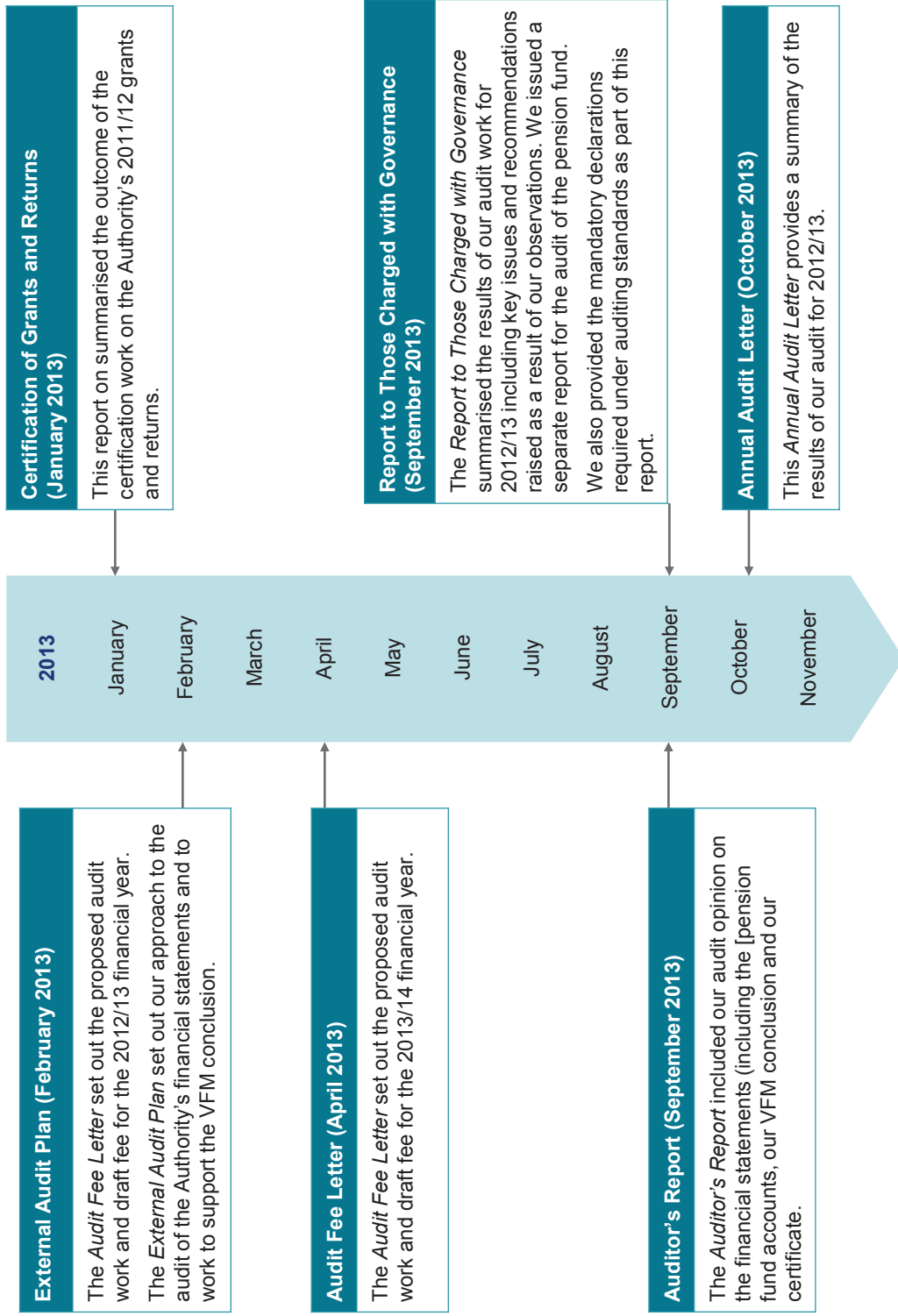
VFM conclusion	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 27 September 2013. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion 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>
VFM risk areas	<p>The major risks facing the Authority arise from the reductions in grant funding combined with increasing pressure on services in key areas such as adult care and children's services. Nevertheless, the Authority has appropriate controls in place to ensure a sound financial standing in the medium and longer term.</p> <p>The latest consultation on funding for 2015/16 shows that the impact on the Authority is likely to be greater than originally envisaged. However, the Authority has adequate reserves which will provide the flexibility to develop a sustainable budget from 2015/16 onwards.</p> <p>The ongoing programme of change in Adult Social Care is important for the financial plans, and progress is being made.</p> <p>The Authority is on target with the its Future Delivery of Support Services programme. A new contract for support services will be awarded with effect from 1 April 2015, and successful implementation will be important for dealing with the key risks to service delivery and financial reform.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 27 September 2013. This means that we believe the financial statements give a true and fair view of its financial position and expenditure and income for the year. The financial statements also include those of the pension fund.</p>
Financial statements audit	<p>Our audit of your financial statements did not identify any significant errors. This reflects the effectiveness of the closedown process and the quality of the supporting working papers provided.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement 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.

Pension fund audit	There were no significant issues arising from our audit of the pension fund. The closedown process and working papers were also good quality.
Whole of Government Accounts	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.
Certificate	We issued our certificate on 27 September 2013. The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2012/13 was £143,100 (excluding VAT) for the audit of the Authority's financial statements, and £24,350 (excluding VAT) for the audit of the Pension Fund. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued this year.



This appendix provides information on our final fees for 2012/13.

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 2012/13 planned audit fee.

External audit

Our final fee for the 2012/13 audit of the Authority was £143,100. This is an overall reduction of 40 percent on the comparative total fee for 2011/12. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

The final fee is the same as that proposed in our 2012/13 audit plan.

Our final fee for the 2012/13 audit of the Pension Fund of £24,350 was also in line with the planned fee.

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 2012/13*, which we are due to issue in January 2014.

Other services

KPMG charged £28,000 for a benchmarking review of adult social care. This work was not related to our responsibilities under Audit Commission's *Code of Audit Practice*.



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