

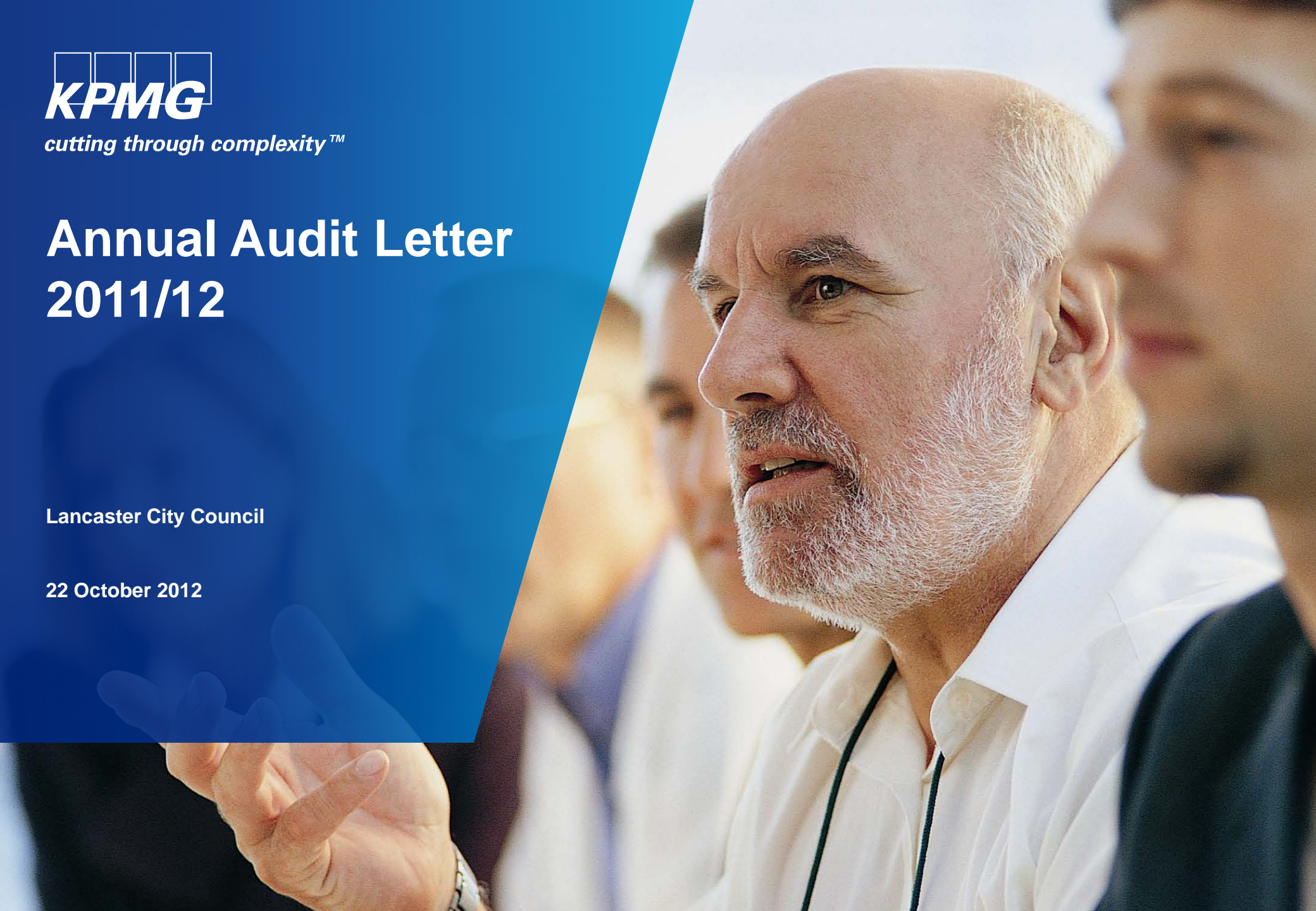


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# Annual Audit Letter 2011/12

Lancaster City Council

22 October 2012



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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 2011/12 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 2011/12 financial statements and the 2011/12 VFM conclusion.**

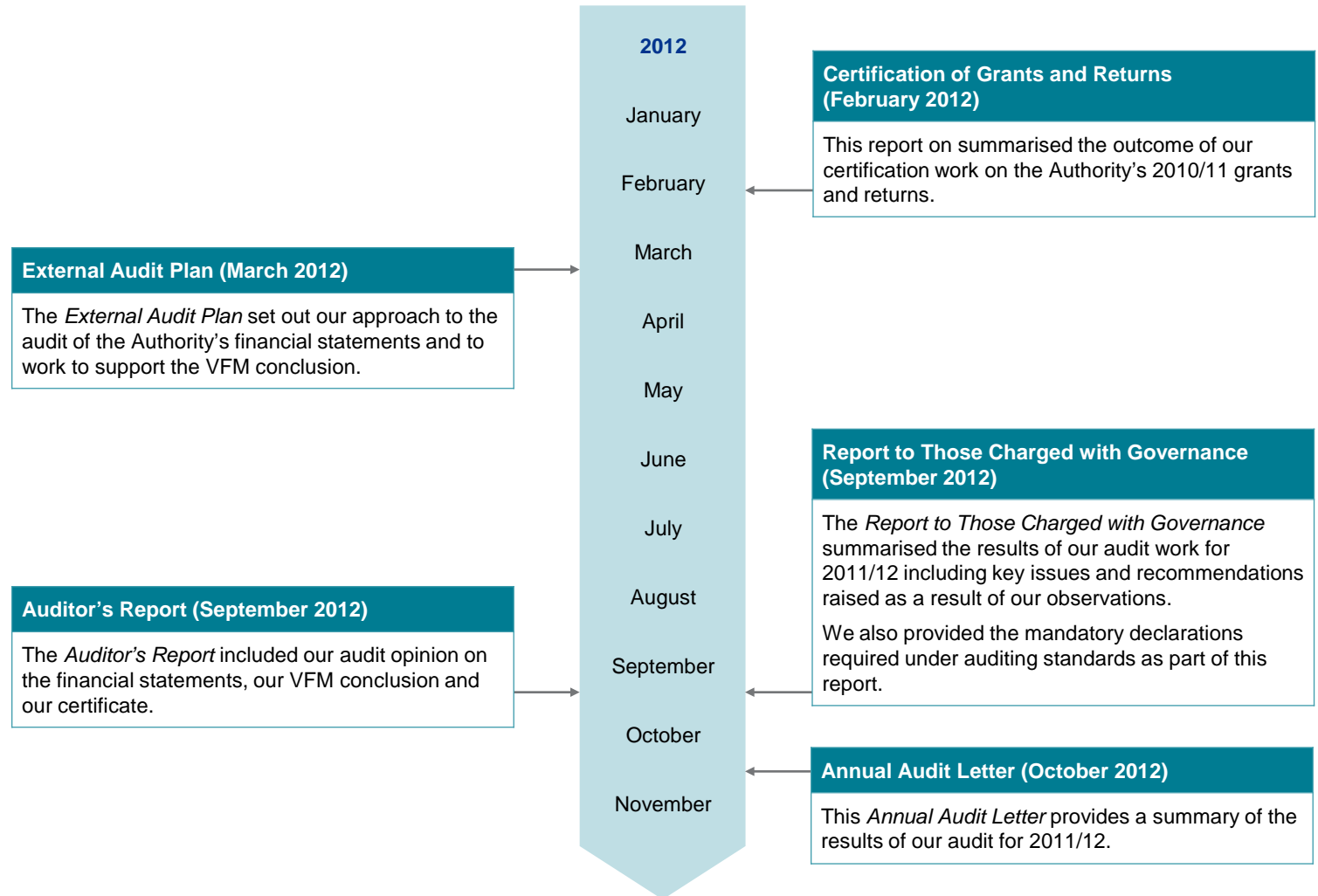
<b>VFM risk areas</b>	<p>We identified a number of significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.</p> <p>Our work identified the following:</p> <ul style="list-style-type: none"> <li>■ Management have been planning for changes in the economic environment, which means that a balanced budget was set for 2012/13.</li> <li>■ Systems have been put in place to ensure that financial plans are monitored and where issues are arising, actions are taken to ensure the financial position is not adversely affected.</li> </ul> <p>Overall we are satisfied that the Authority is dealing with the current financial pressures in an effective manner.</p>
<b>VFM conclusion</b>	<p>We issued an unqualified value for money ('VFM') conclusion for 2011/12 on 25 September 2012.</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>Financial statements audit</b>	<p>We identified a three significant audit risks and reported these to the Audit Committee in our Audit Plan. Officers have demonstrated that these risks have been mitigated and:</p> <ul style="list-style-type: none"> <li>■ the Authority has appropriate savings plans in place to manage the impact of funding cuts;</li> <li>■ changes to the Code of Practice were applied to the financial statements in 2011/12; and</li> <li>■ the Authority has considered the future of the Lancaster Market and the impact on value for money and the financial statements in 2011/12.</li> </ul> <p>Our audit has not identified any significant audit adjustments, however a number of presentational changes were made to the notes to the financial statements which were agreed with management and changed in the final version of the Financial Statements.</p> <p>The quality of the accounts and the supporting working papers has been maintained at a high standard in 2011/12. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 25 September 2012. 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>

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>Annual Governance Statement</b>	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Authority prepared to support the production of <i>Whole of Government Accounts</i> by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
<b>High priority recommendations</b>	No high priority recommendations were identified as a result of our 2011/12 work. Lower priority recommendations have been reported, as appropriate, in our other reports, which are listed in Appendix 1.  A number of recommendations remain outstanding from 2010/11. We will formally follow up these recommendations as part of our 2012/13 work.
<b>Certificate</b>	We issued our certificate on 25 September 2012.  The certificate confirms that we have concluded the audit for 2011/12 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
<b>Audit fee</b>	Our core audit fee 2011/12 was £128,500, excluding VAT. This is in line with our planned core audit fee reported to you in our Audit Plan. Additional fees have been incurred in relation to our review of the future accounting treatment of Lancaster Market (£20,000) and in relation to responding to electors who have raised questions about the 2011/12 accounts (£3,000). Further detail is contained in Appendix 2.

## 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 2011/12.

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 2011/12 planned external audit fee.

### External audit

Our final fee for the 2011/12 audit of the Authority was £151,250 excluding VAT. This is made up of our core audit fee (£128,500), a review of the accounting in relation to Lancaster Market (£20,000) and responding to local government electors (£3,000). Our core audit fee represents a reduction of 5 percent on the comparative fee for 2010/11.

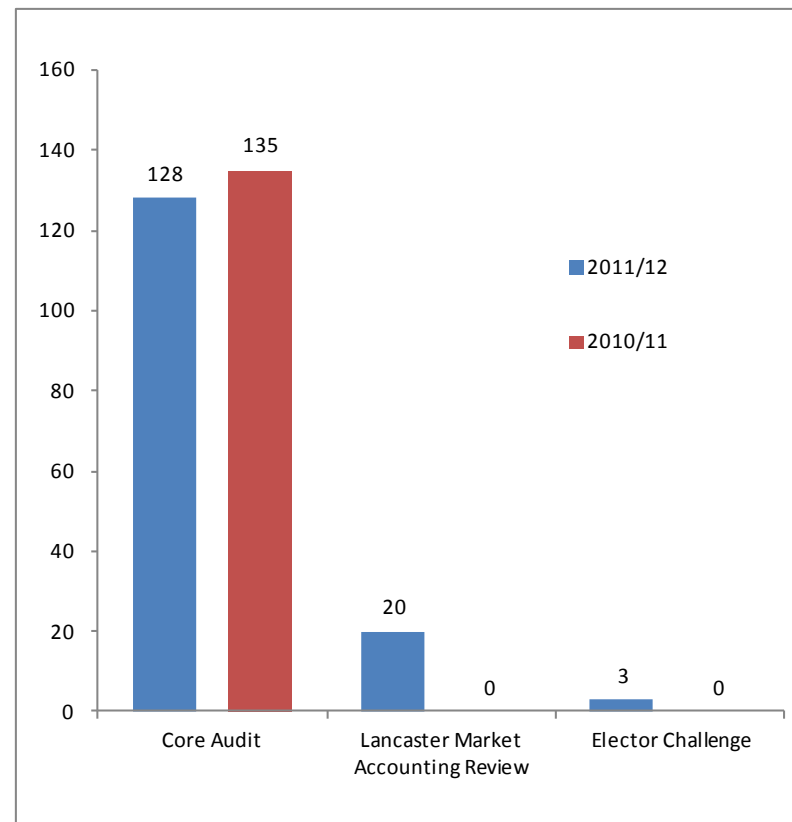
There is no variance between our final fee for the core audit and our planned fee.

Our external audit work was performed to discharge our responsibilities under the Audit Commission's *Code of Audit Practice*.

### 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 2011/12* which we are due to issue in January 2013.

External audit fees 2011/12 (£'000)





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