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Annual Audit Letter 2013/14

Gloucester City Council

30 October 2014

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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 Darren Gilbert, 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 0303 4448 330.

This report summarises the key findings from our 2013/14 audit of Gloucester 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 2013/14 financial statements and the 2013/14 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 8 September 2014. 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>We identified three significant risks to our VFM conclusion, specifically relating to contract monitoring, budgetary control and monitoring of progress against the savings plan, and considered the arrangements you have put in place to mitigate these.</p> <p>We were satisfied that the Authority's arrangements in relation to the risk areas were adequate.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 8 September 2014. 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. The financial statements also include those of the Authority's Group, which consists of the Authority itself, Gloucester City Homes and Gloucestershire Airport Limited.</p>
Financial statements audit	<p>We identified two corrected and one uncorrected significant audit adjustments which were reclassifications on the balance sheet and had no impact upon the General Fund.</p> <p>We noted an improvement in the quality of the accounts and the supporting working papers this year. The draft version of the accounts provided to us met the 30 June deadline. This version had been reviewed by senior management to ensure the quality of the draft.</p> <p>The version also required little in the way of revision following KPMG review with the majority of our comments being minor. Improvements have also been made to ensure notes are internally consistent within the statements provided.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and made a number of comments in respect of its format and content. The Authority agreed to amend the AGS accordingly.</p>



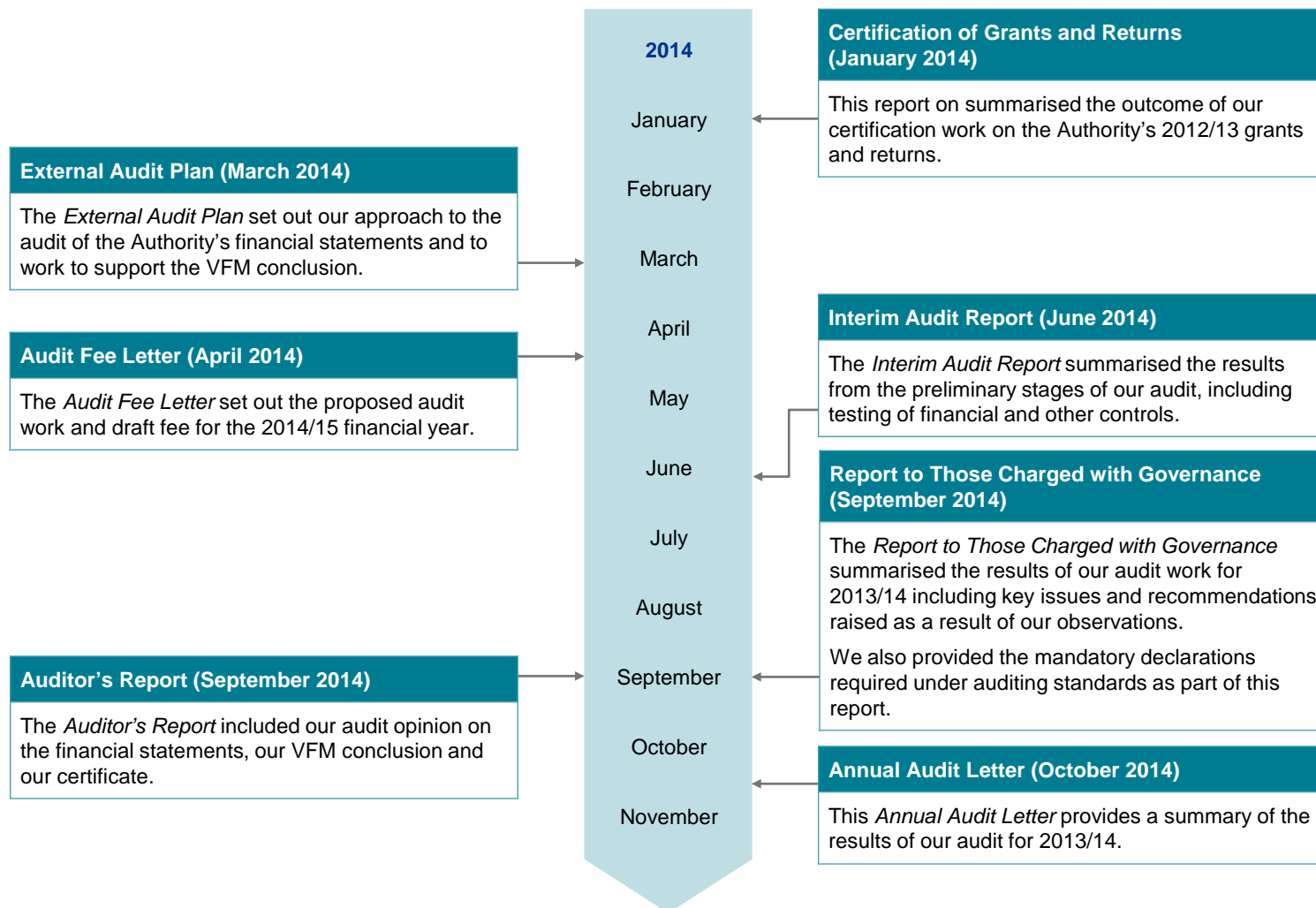
Section one

Headlines (continued)

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

Certificate	<p>We issued our certificate on 8 September 2014.</p> <p>The certificate confirms that we have concluded the audit for 2013/14 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>
Audit fee	<p>Our fee for 2013/14 was £117,328, excluding VAT. This comprises the planned fee of £115,000 plus an agreed additional fee of £1,428 for a review of a severance business case requested by the Authority and work that would ordinarily be covered by certification of the LA01 grant claim which in 2013/14 (and future years) was required to be undertaken as part of the opinion audit. This represents a 16% reduction in fee compared to prior year. Our fees are still subject to final determination by the Audit Commission and further detail is contained in Appendix 2.</p>

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



This appendix provides information on our final fees for 2013/14.

To ensure openness between KPMG and your Audit & Governance Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

Our final fee for the 2013/14 audit of the Authority was £117,328. This compares to a planned fee of £115,000. The reason for this variance is:

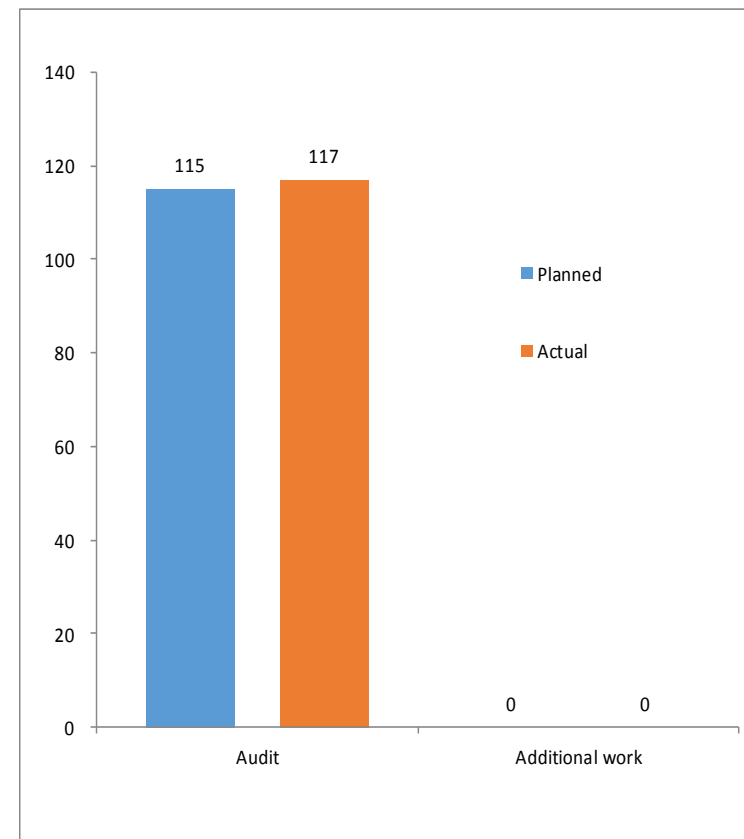
- additional work, which was not allowed for in our initial plan, namely a review of a severance business case requested by the Authority (£1,428).
- Additional work that would ordinarily be covered by certification of the LA01 grant claim which in 2013/14 (and future years) was required to be undertaken as part of the opinion audit (£900).

Our fees are still subject to final determination by the Audit Commission.

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 2013/14* which we are due to issue in January 2015.

External audit fees 2013/14 (£'000)





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