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# Annual Audit Letter 2013/14

**Leeds City Council**

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.audit-commission.gov.uk](http://www.audit-commission.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 John Prentice, 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, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 4448 330.



## Section one Headlines

**This report summarises the key findings from our 2013/14 audit of Leeds 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.**

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 25 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>
<b>VFM risk areas</b>	<p>We identified one focus area around the Authority's savings plans and monitored progress on achieving the savings. The Authority continues to make good progress in achieving the savings required from the reductions in government funding, although it is becoming increasingly difficult. Our work identified no significant matters.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 25 September 2014. This means that we believe your 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>
<b>Financial statements audit</b>	<p>We identified that the Authority had not disclosed the full contractual commitment of Private Finance Initiative schemes over the life of the schemes; in addition to the liability and interest costs paid over the life of the scheme, the Code of Practice on Local Authority Accounting in the UK 2013/14 also requires the service charge element to be disclosed, which is a significant part of the contract. In addition to this, several changes were made from the original draft financial statements, mainly to incorporate property valuations that were received late in the process. Overall, the accounts were well prepared with few significant matters arising.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

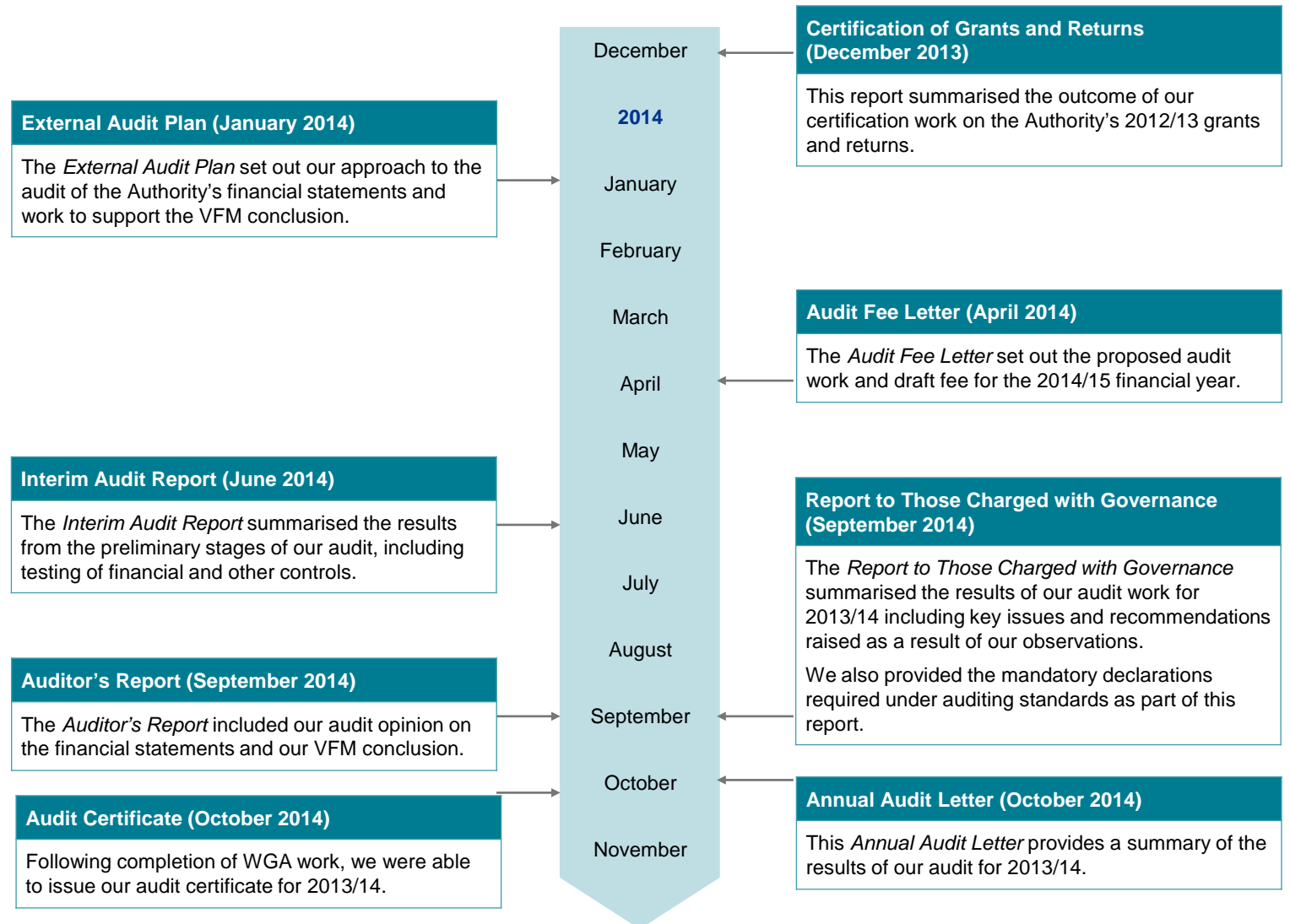
The Authority did not achieve the 30 June deadline for submission of the WGA return to DCLG and auditors.

However, we received the return on 15 August and we met the 3 October audit deadline.

<p>Whole of Government Accounts</p>	<p>The Authority did not achieve the deadline for submission of the WGA return to the Department for Communities and Local Government (DCLG) and auditors by 30 June. This was submitted on 15 August. The Authority made the decision to delay completing the return due to other competing pressures such as completing the draft financial statements.</p> <p>We reported that the Authority's WGA return was consistent with the audited financial statements on 2 October 2014.</p>
<p>High priority recommendations</p>	<p>We raised no high priority recommendations as a result of our 2013/14 audit work.</p>
<p>Certificate</p>	<p>We issued our certificate on 6 October 2014. 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>
<p>Audit fee</p>	<p><b>External audit</b></p> <p>Our final anticipated fee for the 2013/14 audit of the Authority is £309,270 subject to agreement with the Authority. This compares to a planned fee of £307,800. The Authority's NNDR3 no longer requires certification work and consequently the scale fee for the grants and returns work has been reduced. However, the audit of the financial statements required us to carry out additional procedures on NNDR figures. The Audit Commission is consulting on this issue for 2014/15 and 2015/16. We will await the outcome of this consultation before we hold further discussions with the Authority on finalising the fee.</p> <p><b>Other services</b></p> <p>We also charged £3,500 for grant compliance procedures on the Leeds Film Festival grant and £5,200 for an assessment of project management arrangements in relation to the Roma MATRIX project, which the Authority coordinates. This work was not related to our responsibilities under the Audit Commission's <i>Code of Audit Practice</i>.</p> <p><b>Certification of grants and returns</b></p> <p>Our grants work is still ongoing and the total fee will be confirmed through our report on the <i>Certification of Grants and Returns 2013/14</i> which we are due to issue in December 2014.</p>

## Appendix 1: Summary of reports issued

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





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