

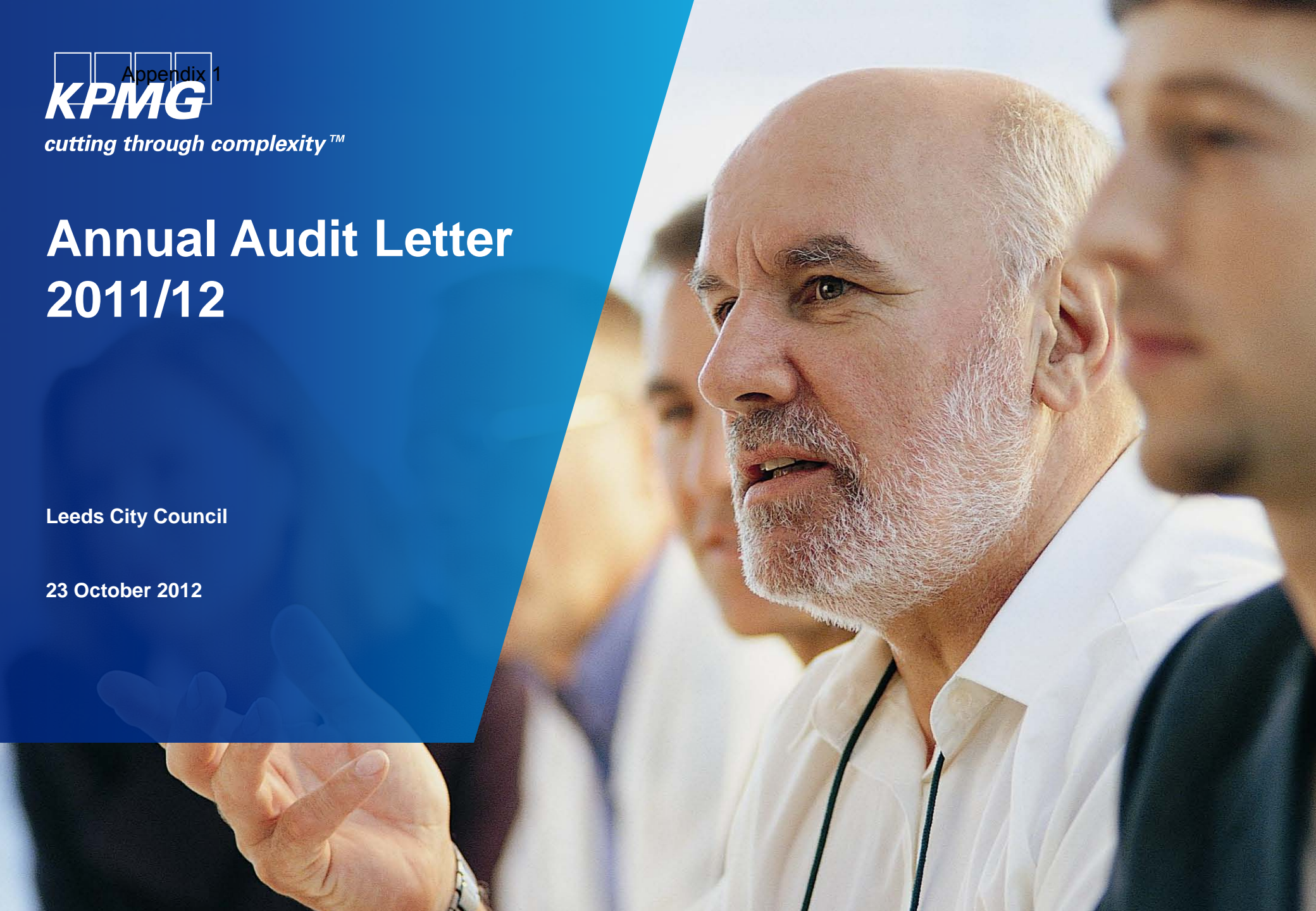


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Annual Audit Letter 2011/12

Leeds City Council

23 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.

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 Mike McDonagh, 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, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to 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 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 2011/12 financial statements and the 2011/12 VFM conclusion.

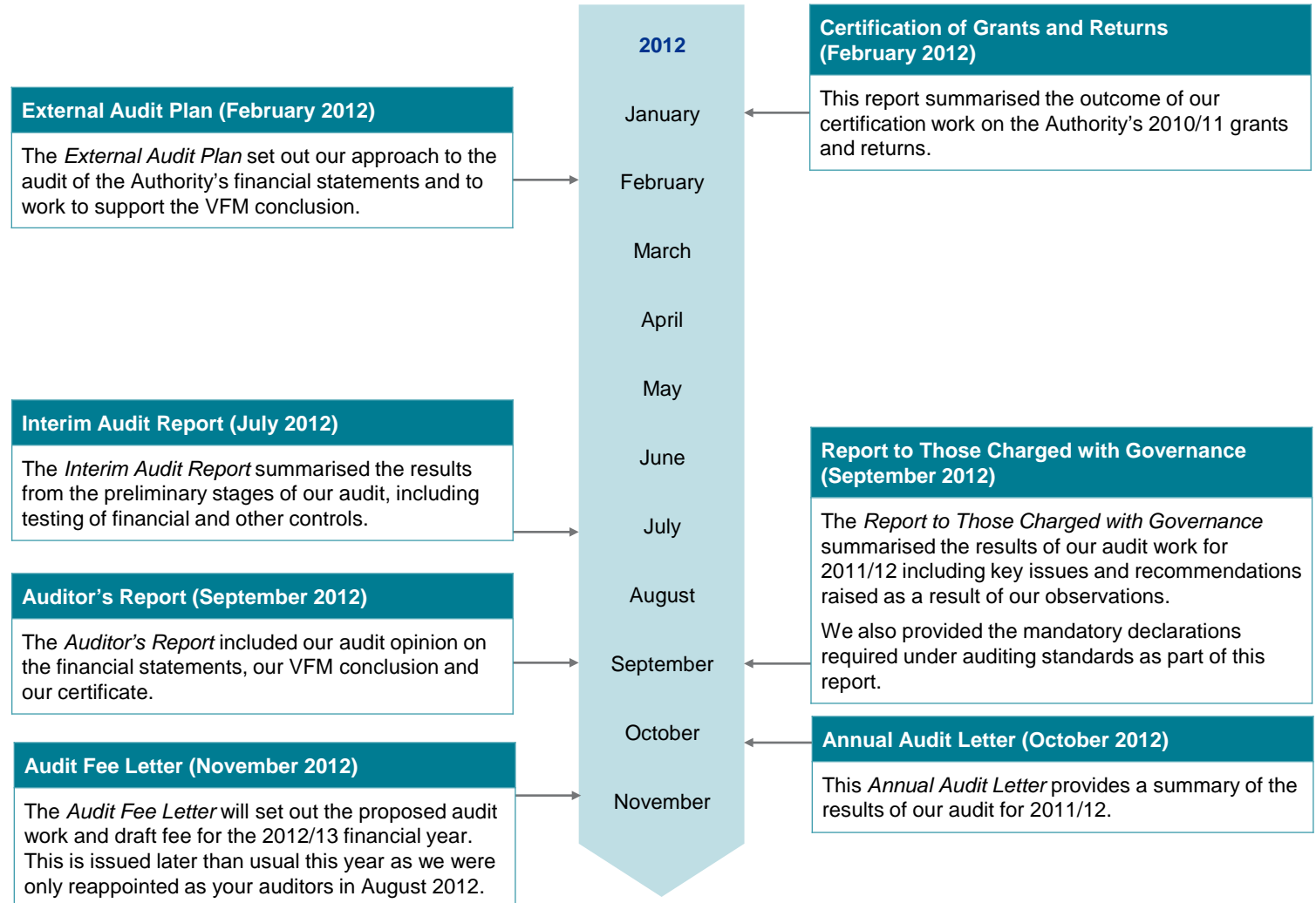
<p>VFM conclusion</p>	<p>We issued an unqualified value for money ('VFM') conclusion for 2011/12 on 28 September 2012.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To 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>
<p>VFM risk areas</p>	<p>We identified two key risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.</p> <p>Our work identified:</p> <ul style="list-style-type: none"> ■ From April 2013 the Authority will acquire the responsibility for public health services. This transfer of services presents a number of operational and financial risks for the Authority. Adequate plans have been put in place to manage this transition. ■ The Authority was required to deliver a savings plans totalling £90 million in order to deliver a balanced budget. This was a key risk in relation to securing the Authority's ongoing financial standing, in light of the additional £47 million of savings required in 2012/13. The Authority out-performed against its original budget for 2011/12, delivering a £1.5 million surplus. Additional contributions were also made to earmarked reserves to mitigate emerging risks.
<p>Audit opinion</p>	<p>We issued an unqualified opinion on your financial statements on 28 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. The financial statements also include those of the Authority's Group, which consists of the Authority itself and a number of subsidiaries, including the three Arms Length Management Organisations.</p>
<p>Financial statements audit</p>	<p>Our audit of the financial statements resulted in the following key findings:</p> <ul style="list-style-type: none"> ■ One audit adjustment with a value of £16.6 million was identified in relation to a disposal of a school which was accounted for in the incorrect accounting period. This did not have an impact on the General Fund balance. ■ The three critical accounting matters of financial standing, component accounting and changes to the Code in relation to Heritage Assets were satisfactorily addressed by the Authority. <p>The quality of the Authority's working papers remains high.</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.

Annual Governance Statement	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
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.
High priority recommendations	We identified no high priority recommendations during 2011/12. We did, however, raise three low priority recommendation and one medium priority recommendation in our Interim and Final audit reports.
Certificate	We issued our certificate on 3 October 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> .
Audit fee	Our fee for 2011/12 was £513,000, excluding VAT. This is consistent with our original planned fee. 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 the Corporate Governance and 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 Leeds City Council was £513,000. This is an overall reduction of 10% percent on the comparative total fee for 2010/11 of £570,000.

Our final fee for the 2011/12 audit was in line with the planned fee.

Certification of grants an 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 February 2013.



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