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# Report to those charged with governance (ISA 260) 2012/13

Leeds City Council

September 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](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 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](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 03034448330.

## This report summarises:

- the key issues identified during our audit of Leeds City Council's (the Authority's) financial statements for the year ended 31 March 2013; and
- our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

## Financial statements

Our audit of the financial statements can be split into four phases:



With the exception of the detailed findings from our work carried out on the Authority's IT systems, which is included in this report, we previously reported on our work from the first two stages in our *Interim Audit Letter 2012/13* issued in July. No reporting issues were identified at that stage.

This report focuses on the final two stages: substantive procedures and completion.

Our final accounts visit on site took place between 10 July and 16 August. During this period, we carried out the following work:

### Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the draft Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

### Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

## VFM conclusion

Our *External Audit Plan 2012/13* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. Subject to our review processes, we have completed our work to support our 2012/13 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority, other inspectorates and review agencies in relation to these risk areas.

## Structure of this report

The structure of this report is as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations from our review of the Authority's IT systems and from our final audit work are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Section three.

## Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

<b>Proposed audit opinion</b>	<p>Our work is ongoing and we are currently undertaking our internal review process. Based on the work undertaken to date we anticipate issuing an unqualified audit opinion by 30 September 2013. We also expect to report that the wording of your Annual Governance Statement accords with our understanding.</p>
<b>Audit adjustments</b>	<p>We are pleased to report that our audit to date has identified no audit adjustments that impact on the general fund account, provision of services total or net worth of the Authority.</p> <p>The Authority will amend the presentational adjustments we identified during the course of the audit.</p>
<b>Critical accounting matters</b>	<p>We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.</p> <p>One area of discussion has revolved around the accounting treatment of grant income related to the Leeds City Region Leaders' Board. We have concluded that the grant income is appropriately reflected in creditors.</p>
<b>Accounts production and audit process</b>	<p>We worked with management during the course of the year to reduce the number of notes in the financial statements. This has led to a more streamlined set of financial statements that still meet the Authority's accounting requirements.</p> <p>The statement of accounts and supporting working papers continue to be prepared to a good standard. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The Authority has implemented all of the recommendations in our <i>ISA 260 Report 2011/12</i> relating to the financial statements. As a result of last year's audit adjustment relating to schools converting to Academy status, we performed additional testing to provide assurance over the disposals of schools in the financial statements. From this work we did not identify any errors on accounting for schools transferring to Academy status.</p>
<b>IT control environment</b>	<p>We found the overall high level IT governance and management arrangements in place to be effective.</p> <p>For the systems assessed, we found the general IT controls over access to programs and data, program changes and computer operations to be generally effective.</p> <p>However, we found three control weaknesses which have been included in Appendix 1 and have previously been reported to management. These findings did not have a significant impact on our audit approach.</p> <p>Specific assessments have been made of the risk for each issue identified, with recommendations to address our areas of concern.</p>

This table summarises the headline messages. The remainder of this report provides further details on each area.

<p><b>Completion</b></p>	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> <li>■ Post balance sheet events review;</li> <li>■ Final review of financial statements; and</li> <li>■ Review of the final Annual Governance Statement.</li> </ul> <p>Before we can issue our opinion we require a signed management representation letter. Our proposed wording for this is included in Appendix 3.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements. A full statement is included in Appendix 2.</p>
<p><b>VFM conclusion</b></p>	<p>Subject to our ongoing internal review process, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.</p>
<p><b>VFM risk areas</b></p>	<p>We have considered the specific VFM risks we set out in our External Audit Plan 2012/13:</p> <p>The Authority had a savings target of £55million for 2012/13 in order to deliver a balanced budget. We monitored the Authority's progress in achieving these savings throughout the year. The Authority achieved its savings target and achieved a further £6.7m savings against the budget. This was helped by a reduction in staff of 192 full time equivalents leaving through the Early Leavers Scheme, which exceeded the target of 180 leavers.</p>

**Subject to our internal review processes, we anticipate issuing an unqualified audit opinion**

**The wording of your Annual Governance Statement accords with our understanding.**

#### **Proposed audit opinion**

Subject to our internal review processes, we anticipate issuing an unqualified audit opinion by 30 September 2013.

#### **Audit differences**

We did not identify any misstatements that affected the Authority's net cost of services outturn, general fund balance or financial position.

We identified that some presentational adjustments were needed to ensure that the accounts were internally consistent and compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2012/13 ('the Code')*. The Authority will be addressing these.

#### **Annual Governance Statement**

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

#### **Critical accounting matters**

Our VFM work identified one risk in respect of the Authority's financial standing. This risk also relates to our work on the financial statements related to our requirements around assessing the Authority's going concern. Further details of our work in this area are reported in Section four.

During the year one area of discussion has revolved around the accounting treatment of grant income related to the Leeds City Region Leaders' Board. We have concluded that the grant income is appropriately reflected in creditors in the Authority's accounts.

The financial reporting and supporting working papers continue to be of a good standard.

Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.

The Authority has implemented both of the recommendations in our *ISA 260 Report 2011/12* relating to the financial statements.

#### Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
<b>Accounting practices and financial reporting</b>	<p>The Authority has maintained its strong financial reporting process. In particular the foreword to the financial statements is particularly informative and effective in describing the key messages in the statement that follow</p> <p>We consider that accounting practices are appropriate.</p>
<b>Completeness of draft accounts</b>	<p>We received a set of draft accounts on 2 July.</p> <p>The accounts reflected the work we have undertaken with management during the course of the year to reduce the level of unnecessary disclosure, whilst still meeting the accounting requirements.</p> <p>We did not receive the Annual Governance Statement until 28 August. We request that in future the AGS is ready at the start of the audit in order to maximise the time we have to review the document and discuss any amendments required.</p>
<b>Quality of supporting working papers</b>	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 18 March 2013 and discussed with the Principal Accountant and the Senior Financial Manager, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i>.</p>

Element	Commentary
<b>Quality of supporting working papers (continued)</b>	Working papers were made available to us when we requested them during the final audit. However, it is best practice for all working papers to be available at the start of the audit.
<b>Response to audit queries</b>	Officers resolved audit queries in a reasonable time.
<b>Group audit</b>	<p>To gain assurance over the Authority's group accounts, we place reliance on audit work completed by BDO on the financial statements of Aire Valley Homes Leeds Ltd, North West Homes Leeds Ltd and East North East Homes Leeds Ltd.</p> <p>We currently await confirmation from BDO that there are no material matters arising from their audits of the subsidiary companies.</p>

#### Prior year recommendations

The Authority has now implemented all of the recommendations in our *ISA 260 Report 2011/12* relating to the financial statements.

Recommendations were made in respect of the information held to ensure disposals of schools transferring to academy status were accounted for in the correct year and that sufficient documentation was maintained to support the valuation of new and existing heritage assets.

## Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.**

### Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Leeds City Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

### Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Deputy Chief Executive & Director of Resources, a draft of which is included in Appendix 3. We require a signed copy of your management representations before we issue our audit opinion.

We are not asking for any specific representations from management for 2012/13.

### Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;

- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no other matters that we need to report.



**Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.**

**We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

#### Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority’s financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

#### Conclusion

We are currently undertaking our internal work review process. Based on the work undertaken to date we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



## Specific VFM risks

**We identified one specific VFM risk.**

**In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.**

**The Authority delivered an underspend of £6.7 million against the 2012/13 budget and has set a balanced budget for 2013/14.**

### Work completed


In line with the risk-based approach set out on the previous page, and in our Audit Plan we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;

- considered the results of relevant work by the Authority, other inspectorates and review agencies in relation to these risk areas.

### Key findings


Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

Key VFM risk	Risk description and link to VFM conclusion	Findings
	<p>The 2012/13 budget included a savings programme totalling £55.4 million. The majority of the planned savings were on track to be delivered at the planning stage of our audit. However, there was still some risk that these would not be achieved in full. All directorates were continuing to monitor their financial performance closely and were aware of the need to deliver a balanced budget.</p> <p>As at February 2013, the Authority was forecasting that it would underspend by £576,000 on its 2012/13 budget which reflected a net overspend of £1.3 million across the directorates, offset by £1.8 million of savings in finance costs.</p> <p>Prior to the announcement of the Local Government Finance settlement on the 19th December 2012, the Authority estimated that another £51 million in savings would need to be achieved during 2013/14 to address the further reductions to local authority funding. This is against a backdrop of continued demographic and demand pressures in Adult Social Care and Children's Services meaning it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p>	<p>The Authority has a history of identifying and delivering its savings plans. From our ongoing review of the monthly budget reports to Cabinet, we were satisfied that the Authority was closely monitoring the financial position through its financial management arrangements for 2012/13. We have also reviewed management's own assessment of the Authority's financial strength, including how the working capital and debt position impacts the Medium Term Financial Plan (MTFP) through the analysis of key ratios.</p> <p>The savings plans identified by the Authority, including the reduction in workforce and other efficiencies, were substantially delivered and therefore no additional audit procedures were required to address the risk identified in our audit plan.</p> <p>The Authority delivered an underspend of £6.7m on the original budget. This meant the requirement to use general reserves to cover the funding gap was only £0.2m instead of the planned £6.9m. This also allowed the Authority to increase earmarked reserves by £3.7m.</p> <p>A balanced budget was set for 2013/14 and progress is being made toward delivering the significant savings required (£51m).</p> <p>(Continued on page 10)</p>

We identified one specific VFM risk.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

The Authority delivered an underspend of £6.7 million against the 2012/13 budget and has set a balanced budget for 2013/14.

Key VFM risk	Risk description and link to VFM conclusion	Findings
		<p>One remaining risk relates to the contingent liabilities in the financial statements, which could be significant if they crystallise into an actual liability. However, we have reviewed both the general fund and earmarked reserves together to give us the assurance that the Authority has sufficient capacity to deal with this risk. We are monitoring this closely up to the sign off of the financial statements and VFM conclusion.</p> <p>The Authority has, following significant consultation, now set a formal MTFP to plan ahead for future years and for future assumed savings. This contributes to the Authority's financial management arrangements for securing ongoing financial resilience.</p>

## Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p><b>1</b> <b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p><b>2</b> <b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> <b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	3	<p><b>Physical access to server rooms</b></p> <p>It was noted in our prior year audit that there are a large number of staff with access to server rooms.</p> <p>We found that there are still 124 individuals with access to these centres, including 19 individuals with access to all data centres across the Authority.</p> <p>Inappropriate access to the server rooms can compromise the availability of the server which could impact the Authority's operations.</p> <p>Whilst this has not created an issue during the financial year, as best practice we recommend that the list of personnel who has access to the server room should be reviewed and access restricted to those personnel who require access.</p>	<p>ICT are conducting a review of physical access to server rooms as part of the planned works to introduce new governance rules for the Data Centres. This will include restricting access to designated individuals. It will also include a log (potentially electronic via the card key system) of who has accessed the rooms and for what purpose.</p> <p>Responsible officer: Support Service Manager, ICT services.</p> <p>Due date: November 2013</p>
2	3	<p><b>Asset register programme change authorisation</b></p> <p>Although programme changes are tested before implementation, there is no process in place to authorise the changes.</p> <p>Consequently, there is a risk that unauthorised and/or erroneous changes may be made to the system.</p> <p>There were no issues arising as a result of this during the year. However, we recommend that the Authority implements a formal process for approving programme changes.</p>	<p>The authority will introduce a recording system to confirm when changes to the database have been agreed, and by whom.</p> <p>Responsible officer: Principal Accountant, Corporate Financial Management.</p> <p>Due date: September 2013</p>

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3	3	<p><b>FMS Starters Process</b></p> <p>As part of our prior year audit, we identified a weakness in the control for authorising new starters. We found that appropriate evidence was not retained for new starters who were granted access to FMS.</p> <p>Our current year testing identified four new users where no evidence of authorisation had been retained.</p> <p>This increases the risk of unauthorised access to the system which could impact on the integrity of financial data.</p> <p>We performed additional testing on the access rights of users who had not been authorised appropriately. No issues were identified through this testing.</p> <p>We recommend that a standardised process is implemented to ensure there is appropriate evidence for the authorisation of FMS starters.</p>	<p>The role of system controllers is now being centralised in order to ensure full compliance with authorisation controls. It should however be noted that the four cases identified relate to officers given low level access rights and therefore represented little risk to the integrity of the integrity of financial data.</p> <p>Responsible officer: Principal Accountant, Corporate Financial Management.</p> <p>Due date: November 2013</p>

**The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.**

### Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

*“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

### General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor declaration**

In relation to the audit of the financial statements of Leeds City Council for the financial year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

**We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.**

**The wording for these representations is prescribed by auditing standards.**

**We require a signed copy of your management representations before we issue our audit opinion.**

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Leeds City Council (“the Authority”), for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether these:

- i. give a true and fair view of the financial position of Leeds City Council and its Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

**Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
  - give a true and fair view of the financial position of the Authority and the Group as at 31 March 2013 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
  - have been properly prepared in accordance with the

CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

**Information provided**

4. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority and Group from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.



**We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.**

**The wording for these representations is prescribed by auditing standards.**

**We require a signed copy of your management representations before we issue our audit opinion.**

7. The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that:
  - are statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - are funded or unfunded; and
  - are approved or unapproved,
 have been identified and properly accounted for; and
- a) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Corporate Governance & Audit Committee on 20 September 2013.

Yours faithfully,

Chair of the Corporate Governance & Audit Committee, Chief Financial Officer



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