



Annual Audit Letter 2015/16

Leeds City Council
October 2016



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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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



Headlines

This Annual Audit Letter summarises the outcome from our audit work at Leeds City Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on the 23rd September 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>We identified one significant VFM risk in our External audit plan 2015/16 issued in March 2016 on Financial Resilience. We reviewed the financial planning arrangements in place at the Authority and confirmed that these are appropriate. There is a detailed service and policy review process in place which will lead to the updated medium-term financial strategy. The Authority has identified that £110 million of savings will be required over the next three years to 2019/20 based on the budget offer by DCLG. The Authority recognises the financial challenge which is heavily front loaded, requiring £82 million of savings in 2017/18, and is considering how reserves can be used to support the budget over the next three years. Whilst a significant proportion of the savings have been identified the Council still needs to identify some £18m of savings to balance the medium-term strategy. We have reviewed the high level assumptions used by the Authority to prepare its budget and have found these to be in line with our knowledge and expectations. The Authority recognises the risks in relation to the use of assumptions, some of which have the potential to cause a significant impact to the budget if they are not robust, and it will need to keep these under review over the coming months.</p> <p>Having reviewed the circumstances of this decision we concluded that there are no matters of any significance arising as result of our audit work in this VFM risk area. We therefore concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on the 23rd September 2016. 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>
Financial statements audit	<p>Our audit has not identified any material audit adjustments, which impact on:</p> <ul style="list-style-type: none"> the balance on the general fund as at 31 March 2016; the deficit on provision of services for the year; or the net worth of the Authority as at 31 March 2016. <p>Our audit and the authority's internal process found a small number of non-material financial and disclosure errors or omissions in the financial statements.</p>

Section one

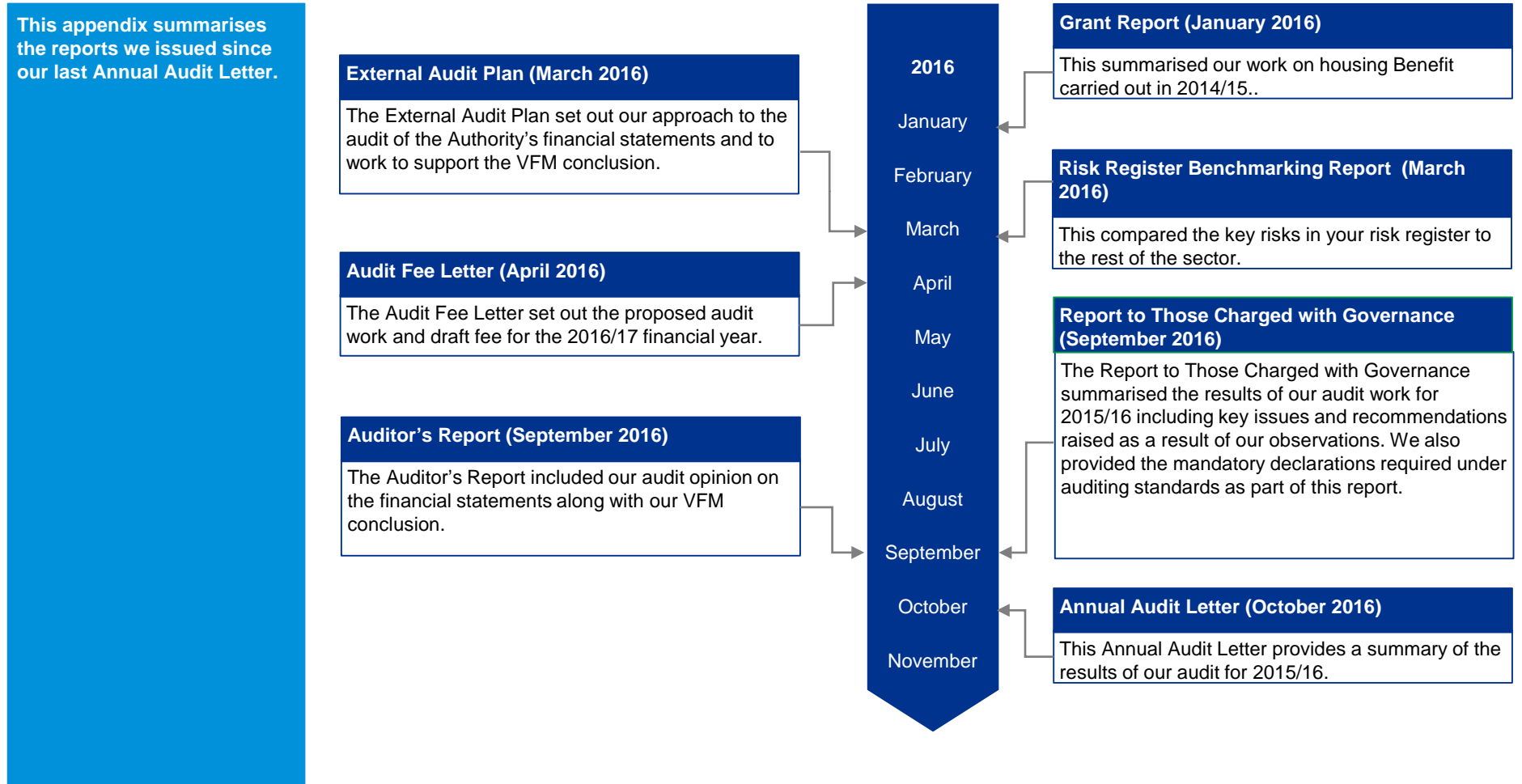
Headlines (cont)

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Annual Governance Statement	We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding of the authority.
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 signing off the pack on the 17 th October 2016.
Certificate	We issued our certificate on the 20 th October 2016 on completion of the Whole of Government Accounts work. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our 2015/16 fee for the audit was £231,953 excluding VAT and for HBCOUNT was £15,923 also excluding VAT. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit of Leeds City Council was £231,953 plus VAT (£309,270 in 2014/15). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in March 2016. Our scale fee for certification for the HBCOUNT was £15,923 plus VAT (£22,140 in 2014/15).

Other services

We did not charge any additional fees for other services.



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