



Annual Audit Letter 2016/17

Leeds City Council

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October 2017

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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.

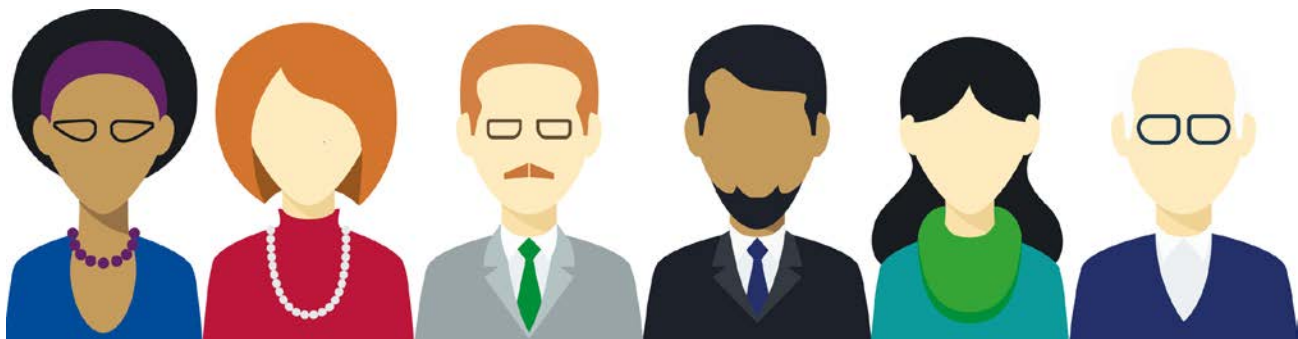
We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your 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.

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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Leeds City Council in relation to the 2016/17 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

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 29 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

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.

VFM risk areas

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.

We identified one significant VFM risk in our audit plan, issued in February 2017, on Financial Resilience:

- At month 9, a £0.9m overspend was forecast, the main pressures arising from Children's Services (£6.64m) being offset by a £5.4m underspend in the Strategic and Central Directorate. Given the significant financial pressures facing the Authority and the need to deliver £81m of savings throughout 2016/17, we identified this as VFM risk.

We concluded the Authority had demonstrated effective management of the level of reserves in recent years despite the budgetary pressures they face and in the final outturn recognised an underspend of £2m at 31 March 2017. Overall we considered the Authority to have adequate arrangements in place regarding the management of its financial risks and potential impact on resource deployment.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. 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.



Section one

Financial statements audit

A summary of the significant findings arising from the financial statements audit were:

- We did not identify any material misstatements. However, we have reported a number of adjustments identified by management, one of which was material. The net impact on the General Fund and HRA as a result of the adjustments was to decrease the balance as at 31 March 2017 by £676k.
- The Authority made a positive start and met the required reporting deadline of 30 May this year. Through effective debrief and detailed planning we will need to ensure the Authority is again in the best possible position to meet the Faster Close requirements in 2017/18, which includes conclusion of the audit process by 31 July 2018.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

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 raised no high priority recommendations as a result of our 2016/17 audit work.

Certificate

We have received an objection to the Authority's financial statements which we are currently considering. This means that we are not yet able to issue our certificate.

Audit fee

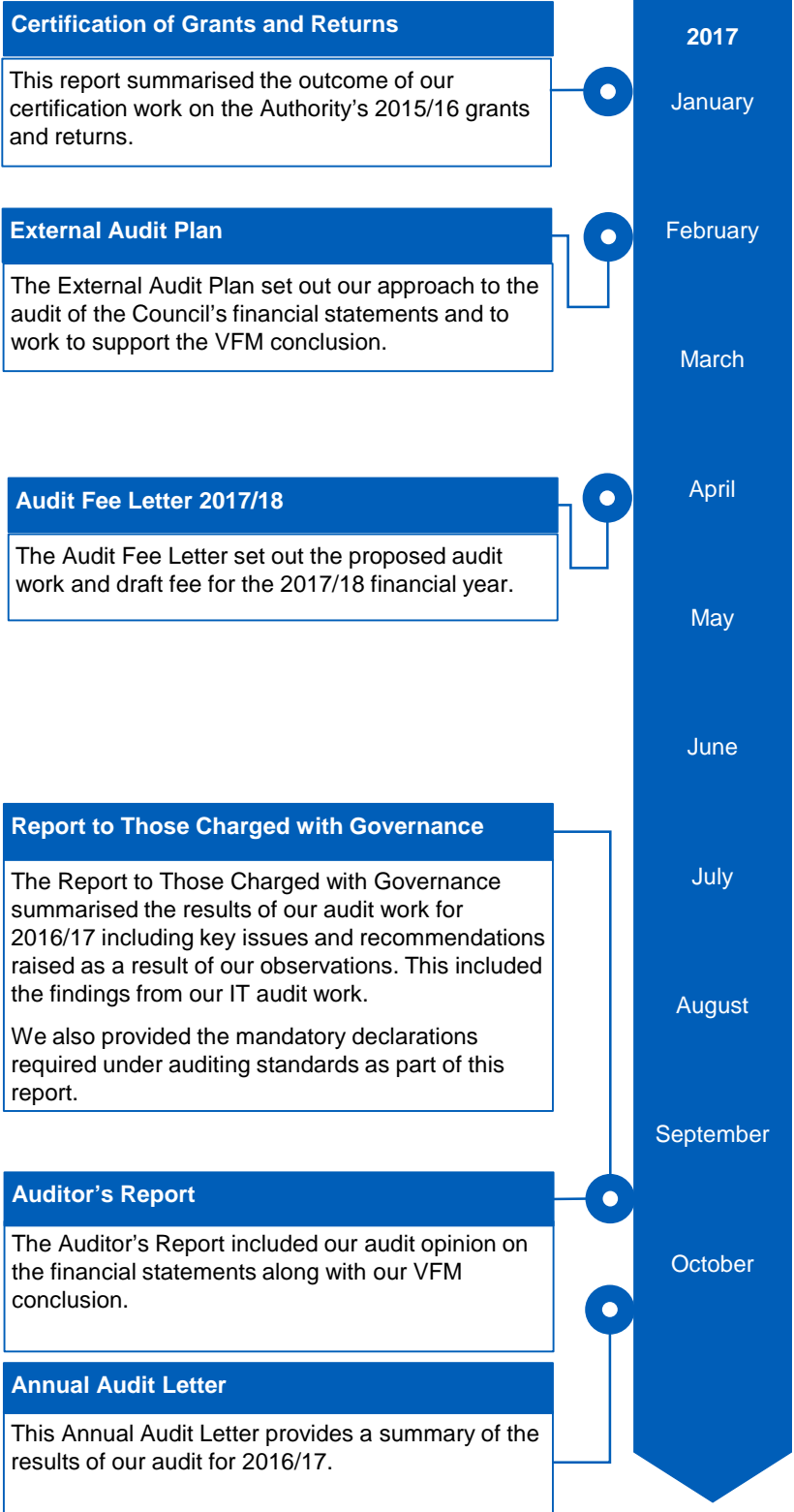
Our fee for 2016/17 was £231,953 excluding VAT. Further detail is contained in Appendix 2.

Appendix 2

Summary of reports issued

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

These reports can be accessed via the Audit Committee agendas on the Council’s website at www.leeds.gov.uk.



Appendix 3

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit of the Authority was £231,953 which is in line with the planned fee.

Our fees are still subject to final determination by Public Sector Audit Appointments.

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

Other services

We charged £75,000 for non-audit related services for the Traded Services and Commercialisation Study (£50k) and Investment Packaging Study (£25k). This work was not related to our responsibilities under the Code of Audit Practice.

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