

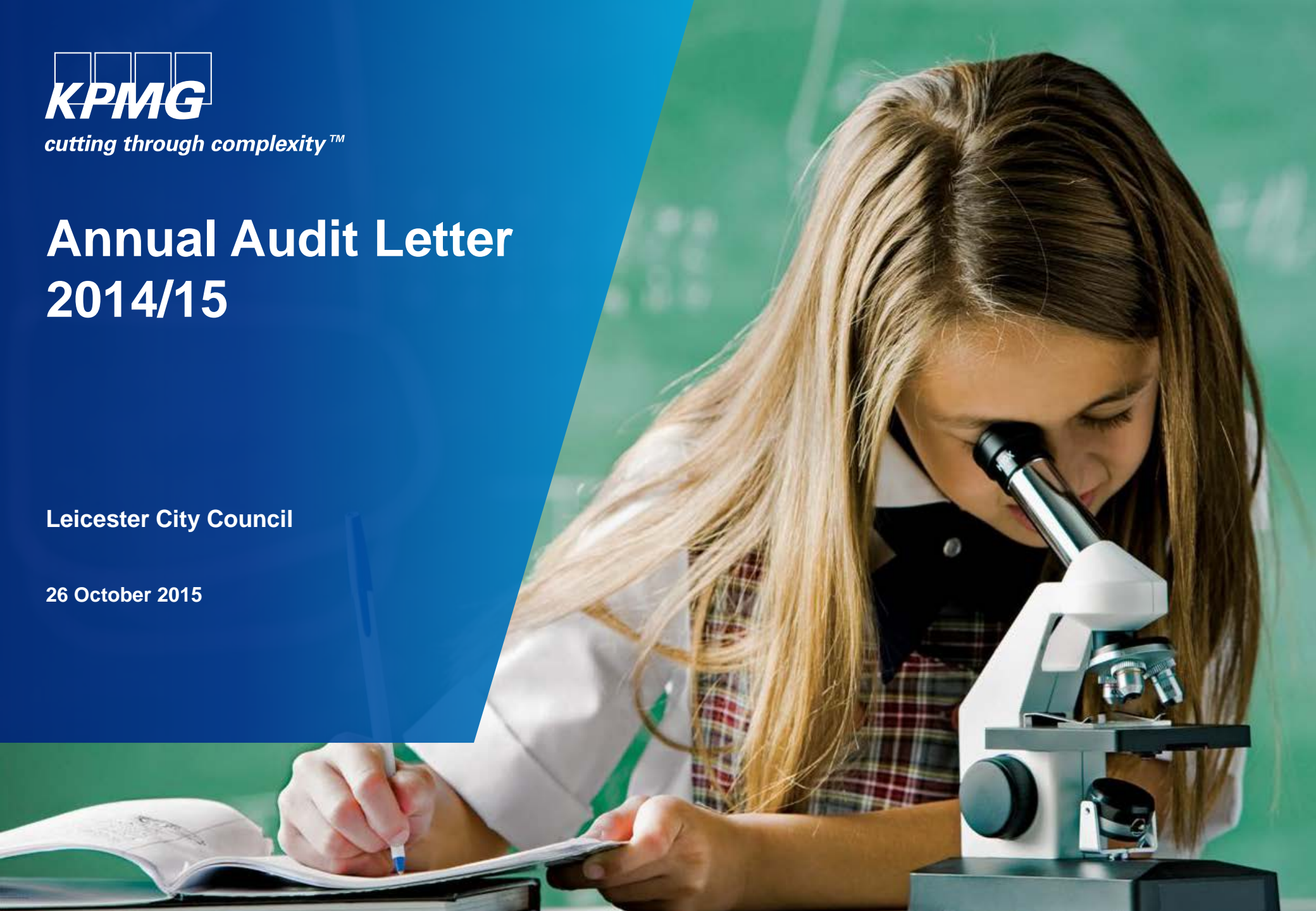


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Annual Audit Letter 2014/15

Leicester City Council

26 October 2015



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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 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.psa.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 John Cornett 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, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSA'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.

This report summarises the key findings from our 2014/15 audit of Leicester 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 2014/15 financial statements and the 2014/15 VFM conclusion.

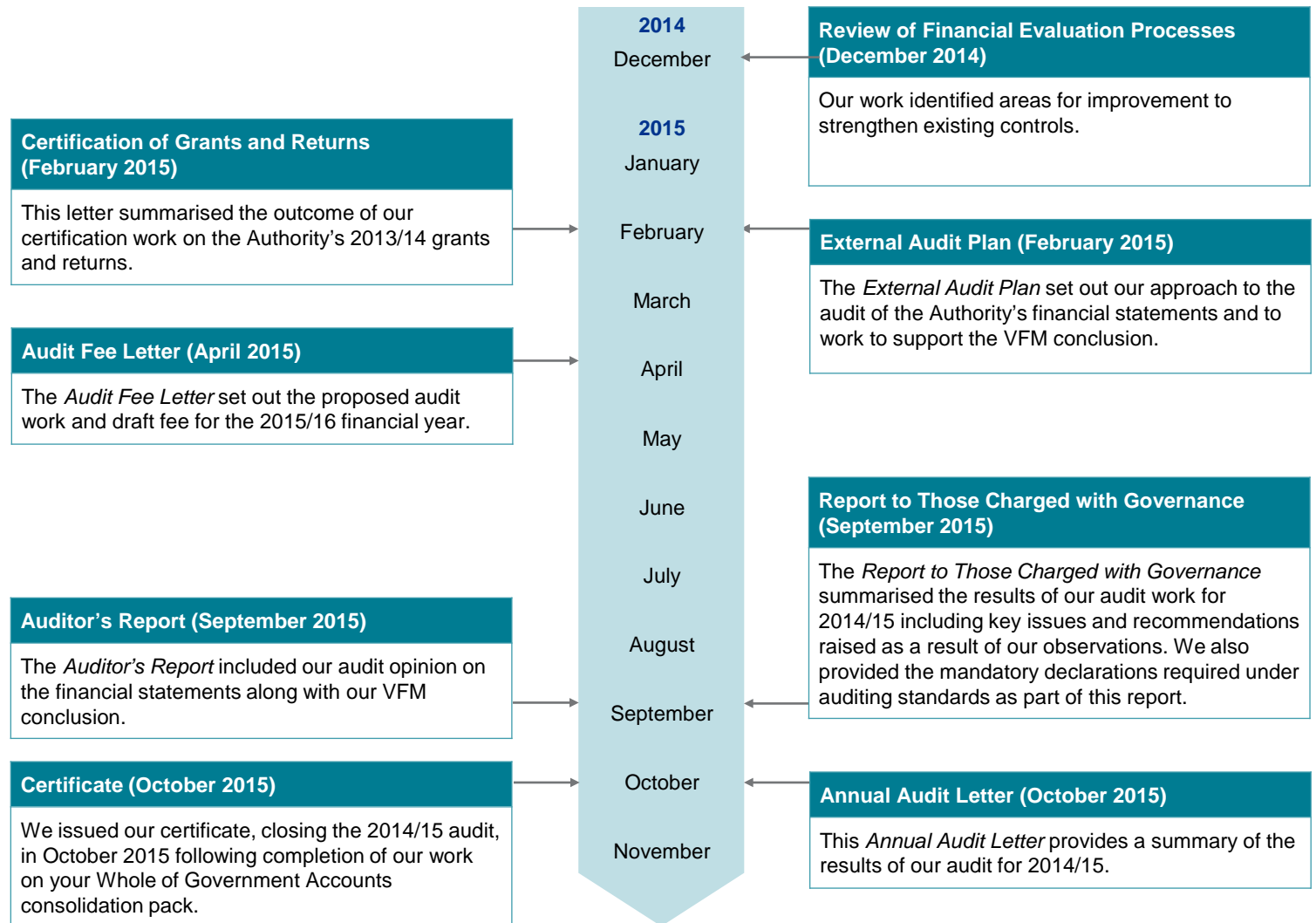
VFM conclusion	<p>We issued a qualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 30 September 2015. This means that we are satisfied that the Authority has proper arrangements for securing financial resilience and, except for childrens' services, we are satisfied with arrangements for challenging how the Authority secures economy, efficiency and effectiveness.</p> <p>Our 'except for' conclusion on childrens' services was due to the March 2015 OFSTED report which concluded that childrens' services are inadequate.</p> <p>In arriving at our conclusion we also looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 30 September 2015. 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>We identified two key financial statements audit risks in our 2014/15 External Audit Plan issued in February 2015.</p> <ul style="list-style-type: none"> ■ Accounting for Local Authority Maintained Schools: CIPFA have issued definitive clarification of existing guidance on significant entries to be included in the financial statements; and ■ The in-year change of banking services provider from Co-Op to Barclays. <p>There are no matters of any significance arising as a result of our audit work in these key risk areas.</p> <p>The Authority has satisfactory processes in place for the production of the accounts. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.</p> <p>After the draft accounts were approved, the Authority changed the value of schools and leisure centres by £86.0 million from the values disclosed in the draft statements, as indexation had not been applied since the date of the last formal valuation.</p> <p>As a result of our audit, the Authority made adjustments to the primary statements. The material adjustments were:</p> <ul style="list-style-type: none"> ■ Reclassifications on the face of the balance sheet from 'Cash and cash equivalents' to 'Short term investments' (£20.0 million); and ■ Presentational adjustments to 'Cash and Cash Equivalents' and 'Bank overdraft' (both increased by £22.4 million). <p>None of the above adjustments had any impact on the General Fund balance. However the Authority made another late change to the accounts to transfer £34.0 million from the General Fund into earmarked reserves.</p> <p>In addition, the Authority made a number of non-trivial adjustments to notes, most of which were of a presentational nature.</p>

All the issues in this Annual Audit 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 of your arrangements.
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. We completed this work on 2 October 2015.
Certificate	<p>We issued our certificate on 2 October 2015. This was later than the date on which we issued our opinion and VFM conclusion as we had not completed our work on the Authority's Whole of Government Accounts consolidation pack at that date.</p> <p>The certificate confirms that we have concluded the audit for 2014/15 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>
Audit fee	Our audit fee for 2014/15 was £203,071 excluding VAT. We have also charged fees of £13,200 excluding VAT in respect of non-audit services. 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 the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £203,071. This compares to a planned fee of £195,470. The reasons for this variance are:

- an increased fee for the audit of the financial statements reflecting additional costs incurred in carrying out the final accounts audit of £3,968 over and above our initial estimate; and
- additional work, which was not allowed for in our initial plan, namely a review of the Authority's response to the March 2015 OFSTED report on children's services (£3,633).

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

Other services

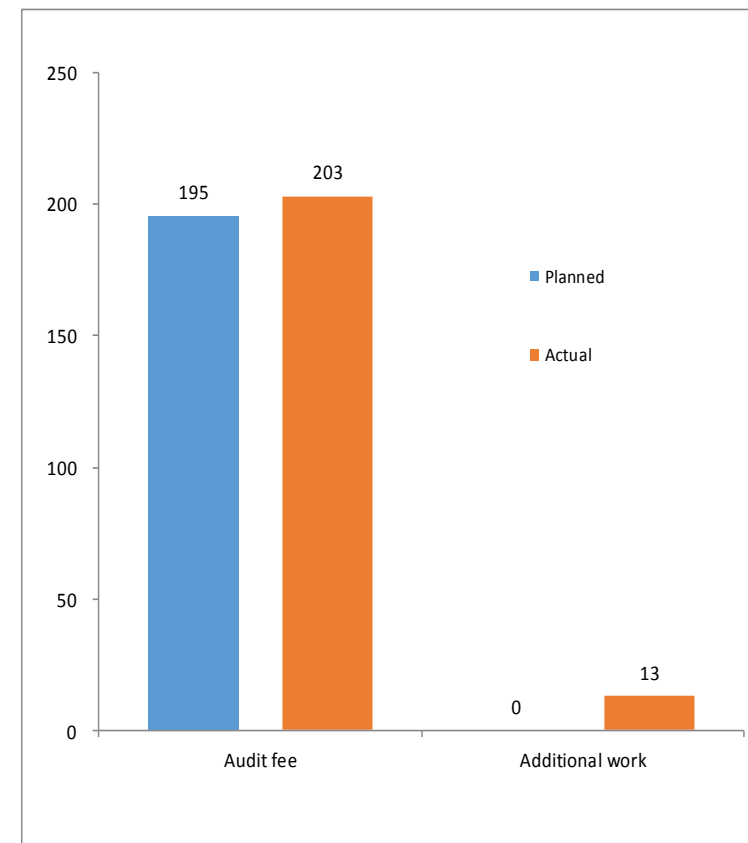
We charged £10,200 plus VAT for a review of your financial evaluation processes. This work was not related to our responsibilities under the Code of Audit Practice.

We have also charged £3,000 plus VAT for additional audit-related services for the certification of the 2013/14 Teachers Pensions return, which is outside of Public Sector Audit Appointment Ltd's certification regime.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments Ltd 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 February 2016.

Fees paid to external auditors 2014/15 (£'000)





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