



Annual Audit Letter 2016/17

Leicester 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.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, 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 Leicester 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.

Our work identified the following significant matters:

Financial resilience

We have reviewed the Authority's outturn report for 2016/17 and noted the Authority achieved an underspend on the General Fund of £9.6 million against the original budget of £263 million. The Authority has an established reserves strategy, building up reserves over the last three years to allow time to develop the approach to identifying savings. The General Fund stands at £15 million which is the minimum balance recommended by the Director of Finance. The Authority has £172 million in earmarked reserves at year end which is an underlying decline of around £18.3 million in the year. From 2017/18, the Authority plans for reductions in earmarked reserves as it makes investments in transforming services.

We have reviewed Medium Term Financial Strategy (MTFS) income and expenditure assumptions and consider them to be reasonable. The Medium Term Financial Strategy (MTFS) 2017 to 2020 shows a gap in funding of over £58 million up to 2019/20, but the Authority acknowledges that there is a higher underlying gap and that, since there is no allowance for inflation, other than pay awards, that the overall gap for 2019/20 could be higher.

VFM Risk – OFSTED Findings – Children's Services

Whilst recognising that progress had been made in respect of Children's Services, we issued a qualified VFM conclusion to this effect in 2015/16. This year, investment has been made to improve the service. Following a month long inspection in July, OFSTED has removed the inadequate rating for children's services. They have acknowledged that the service overall requires improvement but have rated some aspects of the service as good. Therefore, the Authority is able to demonstrate that arrangements and processes put in place following the initial OFSTED Inspection (March 2015) are appropriate to secure measurable improvements in Children's Services. Consequently, progress to date is sufficient to enable us to remove our historic "except for" qualification to the VFM Conclusion in respect of Children's Services.

We will continue to liaise with key officers at the Council to assess further progress in this area during the 2017/18 audit.

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

No material errors were identified during the audit and there were no uncorrected audit differences that we needed to report. We considered the Authority's accounting practices to be appropriate, the draft accounts were published ahead of the deadline and the quality of supporting working papers was good..

Our audit plan identified the Local Government pension scheme triennial revaluation and changes to CIPFA's Code on Local Authority Accounting as significant risks or other areas of audit focus for the year. We noted that all of these areas had been appropriately addressed by the Authority.

We have had regular meetings with officers throughout the year which has facilitated delivery of the audit and have already discussed how we can work together to secure further improvement next year.

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 materially consistent with our understanding and the current guidance..

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We have reviewed the pack and reported back to the NAO. There were no issues arising from our work on the Whole of Government Accounts.

High priority recommendations

We raised one medium priority recommendation during the course of the audit and did not raise any high priority recommendations. However, of the seven medium priority recommendations raised in the prior year, we found that three had not yet been fully implemented.

Certificate

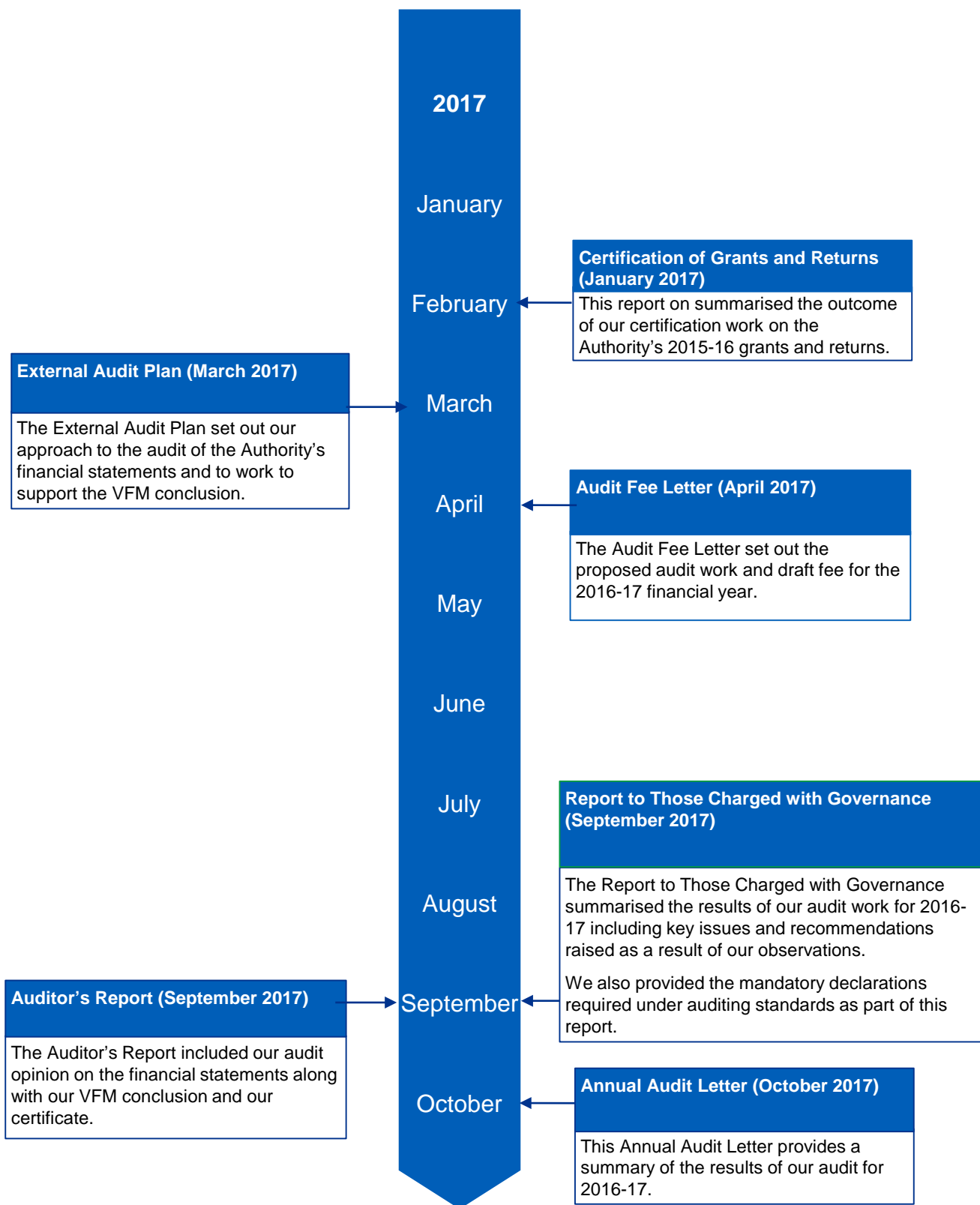
We issued our certificate on 29 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

The scale fee set by PSAA for 2016-17 was £146,603, excluding VAT. Further detail is contained in Appendix 2.

Summary of reports issued

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



Appendix 2

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

The final fee for the audit of the Authority was £146,603 which is in line with the scale fee for the audit..

Certification of grants and returns

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. The indicative scale fee for this work is £52,785. This certification work is still ongoing and the final fee will be confirmed through our reporting on the outcome of that work in January 2018.

Other services

We charged £5,700 (excluding VAT) for certification of the 2015/16 Pooling of Housing Capital Receipts return and £5,500 for the Teachers' Pensions Return. This work was not related to our responsibilities under the Code of Audit Practice.

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