



Annual Audit Letter 2016/17

Leicestershire County Council

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 [Engagement Lead name], 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 Leicestershire County 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.

A summary of the reports we have issued during the year is included at Appendix 1.

**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 and identified one area of focus, regarding your arrangements for securing financial resilience. We took account of, amongst other things, the Authority's financial governance, financial planning and financial control arrangements. This included monitoring the Authority's financial position in year and reviewing the Authority's progress in delivering its budget as part of its wider arrangements to secure financial resilience in the short and medium term.

The Authority was able to identify sufficient savings opportunities to set a balanced 2016/17 budget and the planned savings of £27 million were achieved. For 2016/17 the Authority's outturn was contained within the provided budget and as forecast throughout the year.

The Authority set a balanced budget for 2017/18 and the Medium Term Financial Strategy (MTFS) provides a platform to 2020/21. The Authority has identified funding gaps towards the end of the life of its MTFS. With a total savings and additional income requirement of £66 million over the next four years, £23 million of which is still unidentified. However, the Authority recognises the significant challenges to close the gap and is taking all reasonable steps to identify savings that are sufficient to bridge the forecast gap in the MTFS and intends to closely monitor the position.

Overall, we concluded that in 2016-17, the Authority had made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Audit opinion

We issued an unqualified opinion on the 2016-17 accounts of the Authority and the Leicestershire Pension Fund 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.

Financial statements audit

Our audit of the Authority's financial statements did not identify any audit adjustments which impacted on the bottom line figures reported in the core statements. We did, however, identify a small number of presentational issues. The Authority amended the statements for all such issues identified.

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 of the Authority and did not identify any issues.

Pension fund audit

There were no material issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report. We identified a small number of issues that were adjusted by management along with some presentational matters that were also amended. In addition there was one unadjusted audit difference of £5.8 million relating to the yearend private equity valuation figures. Due to the late availability of the fund manager yearend reports the Pension Fund reported the quarter 3 valuation adjusted for quarter 4 cash flows in the accounts, giving the £5.8 million difference. Going forward, in order to achieve the early closedown the approach is reasonable.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts (WGA) by HM Treasury. We are required to review your pack in detail and confirm whether it is consistent with the audited financial statements. This work is complete and we issued an unqualified assurance report on 12 October 2017.

High priority recommendations

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

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.

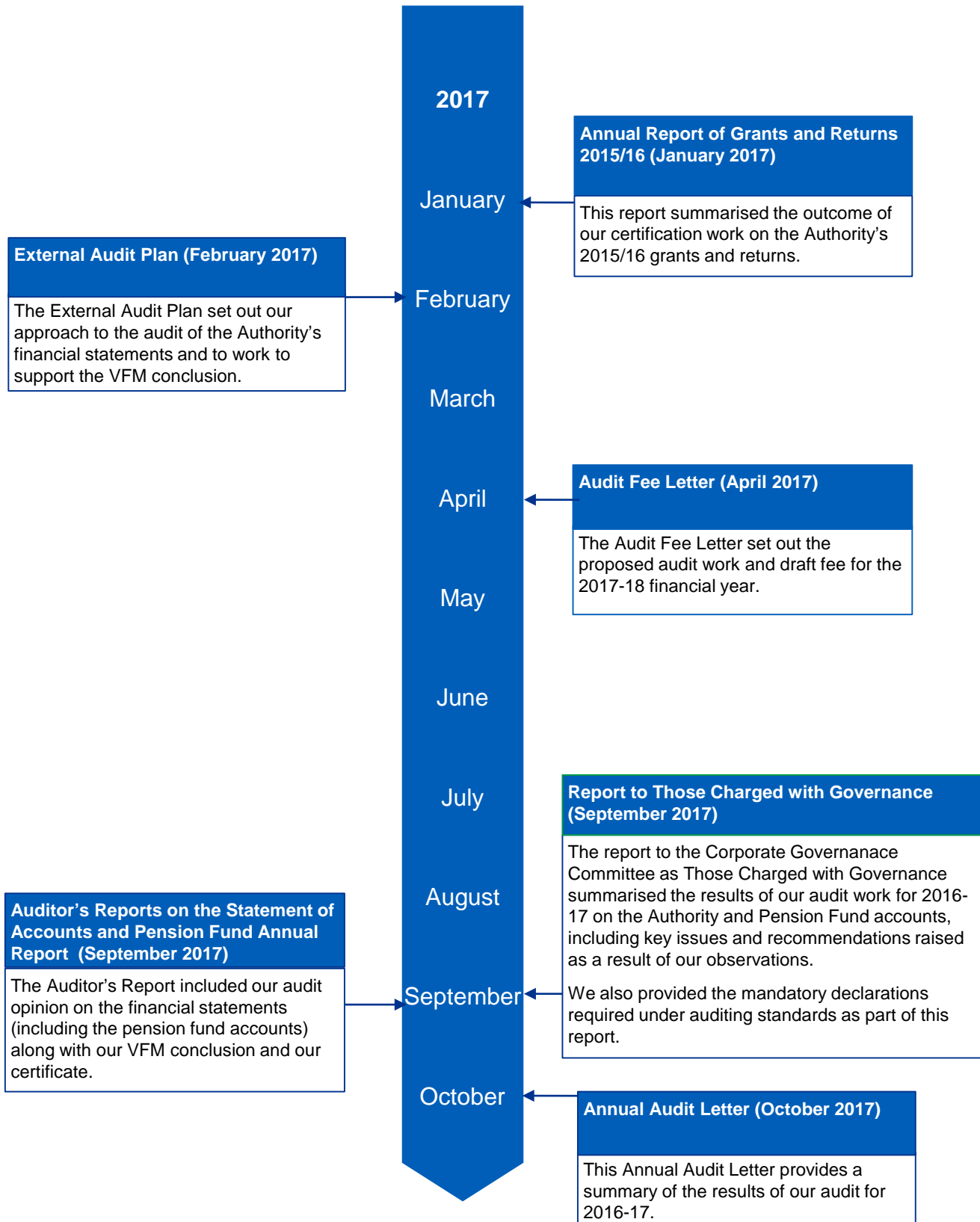
Audit fee

The 2016/17 scale fees set by PSAA for the Authority and the Pension Fund were £76,950 and £27,637 (excluding VAT) respectively. 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.



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 2016-17 scale fee set by PSAA for the Authority was £76,950 (excluding VAT).

Our final fee for the 2016/17 audit of Leicestershire Pension Fund was £36,319, which is £8,682 higher than the scale fee of £27,637. This was due to £5,010 charged to perform extra work required by auditors of member bodies of the Fund and £3,672 for work in regard to the Triennial revaluation of the Fund. We have applied to PSAA for these proposed additional fees and are awaiting the outcome of their considerations.

Other services

We charged:

- £3,000 (excluding VAT) for the Accountant's Independent Assurance Report on the 2014/15 Local Transport Plan Major Projects return; and
- £2,500 (excluding VAT) for the Accountant's Independent Assurance Report on the 2015/16 Teachers Pension Agency return.

These additional services were not related to our responsibilities under the Code of Audit Practice.

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