



External Audit ISA260 Report 2017/18

**Leicestershire County
Council and Pension Fund**

July 2018



Summary for Corporate Governance Committee

This document summarises the key findings in relation to our 2017-18 external audit at Leicestershire County Council ('the Authority') and the Local Government Pension Scheme.

This report covers both our on-site work which was completed during June and July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements. The report is prepared for presentation at the Corporate Governance Committee 25 July 2018. We will update the Corporate Governance Committee at its meeting on any significant matters contained in this report.

Organisational and IT environment and control over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

We consider that your organisational controls are effective overall.

General IT Controls - We have deemed your IT controls are effective overall, but noted two areas for further improvement in relation to omission of specific user responsibility review and timely removal of leaver user access.

Key Financial System Controls - we have determined that the controls over the majority of the key financial systems are sound. We noted a weakness in respect of payroll BACS authorisation process, whereby for one of the three BACS payroll payments for one of the months tested, the same officer had both input and authorised the BACS payment.

Further detail can be found at page 6 and in Appendix 1.

Accounts production

The Authority's overall process for the preparation of its financial statements was good. We received a completed set of accounts on 31 May 2018.

The Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerge.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers being made available to the audit team at the start of the onsite visit. However, there were some issues with the quality of data initially provided for our Data Analytics work which delayed this element of testing.

Summary for Corporate Governance Committee (cont.)

Financial statements

Subject to completion of the remaining work and all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.

There are currently the following outstanding matters:

- Final audit Director review;
- Addressing any remaining audit queries and any matters arising from our completion procedures;
- General audit file completion and review procedures;
- Post balance sheet events review up to the date of signing the audit opinion; and
- Final review of the working papers and amended accounts.

Based upon our initial assessment of risks to the financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 11):

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We have checked the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated
- **Pensions Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We have reviewed the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation: and
- **Faster Close** – the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2016/17: 30 June) and the final accounts signed by 31 July (2016/17: 30 September). We have worked with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.
- We have identified one audit adjustment with a total value of £1.36 million. See page 18 for details. There is no impact on the reported outturn position or the general fund balance as a result of this adjustment.

Summary for Corporate Governance Committee (cont.)

Financial statements cont.

Based on our work, we have raised 5 recommendations, which includes 2 relating to the Pension Fund. Details of our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our audit opinion and VFM conclusion before 31 July 2018. We expect to issue our completion certificate and Annual Audit letter before the end of September 2018.

Pension Fund financial statements

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements by 31 July 2018.

Based upon our initial assessment of risks to the Pension Fund financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our interim visit) we have identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 11:

- **Valuation of hard to price investments** - The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end.

Value for money arrangements

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion

We set out our assessment of those areas requiring additional risk based work in our *External Audit Plan 2017/18* and have updated this assessment during our interim visit. We have identified the following significant VFM audit risks:

- **Delivery of Budgets** – As a result of reductions in central government funding, and other pressures, the Authority continues to have to make additional savings beyond those from prior years. We considered the way in which the Authority identifies, approves, and monitors both savings plans and how budgets are monitored throughout the year.

See further details on page 24.

Summary for Corporate Governance Committee (cont.)

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work. Particularly the Strategic Finance Technical Accounting Team whose continued hard work and professionalism enabled the Authority to meet the earlier deadline this year without loss of quality of the Financial Statements or working papers.

Section one

Control Environment



Organisational and IT control environment

We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

Despite this, we have noted two areas for further improvement:

- **No periodic user access responsibility review; and**
- **Timely removal of leaver user access.**

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Authority relies on information technology ("IT") to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

Key findings

We consider that your organisational and IT controls are effective overall, but noted two of areas for further improvement:

- **Issue 1: No periodic user access responsibility review** – Discussions with the EMSS Systems Administration Team identified that user access responsibility reviews are not carried out on a periodic basis. The last significant user access responsibility review that was carried out was in 2015.
- **Issue 2: Timely revoking of leavers user access** – We reviewed over 2400 leavers covering the period 01/04/17 to 18/02/18 to ensure that individuals leaving the authority have their access to the authority's systems is revoked in a timely manner. Of these, 20 required further investigation as their access had not been revoke in a timely manner. It was identified that 5 had logged onto their Oracle accounts after their leaving date, although 4 only had access to Internet Expenses to access their final pay advice. The remaining leaver who had logged on had access to "IP Adults & Communities" which allows employees to raise and receipt orders, however any orders would need to have been approved. Our investigation confirmed that the individual had not raised any orders or made any requisitions since their leaving date.

Recommendations are included in Appendix 1.

Organisational and IT control environment (cont.)

Aspect of controls	Assessment
Organisational controls:	
Management’s philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3
IT controls:	
Access to systems and data	2
System changes and maintenance	3
Development of new systems and applications	3
Computer operations and end-user computing	3

Key	
1	Significant gaps in the control environment.
2	Deficiencies in respect of individual controls
3	Generally sound control environment.

Controls over key financial systems

The controls over the majority of the key financial systems are sound. However, there is a weaknesses in respect of Payroll BACS authorisation process.

Work completed

We evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors’ opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

Based on our work we have determined that the controls over the majority of the key financial systems are sound.

We noted one weaknesses in respect of an individual financial system:

- Weakness: Payroll BACS authorisation process we found that for one of the three monthly BACS payroll payments in one of the months tested, the same officer had both input and authorised the BACS payment.

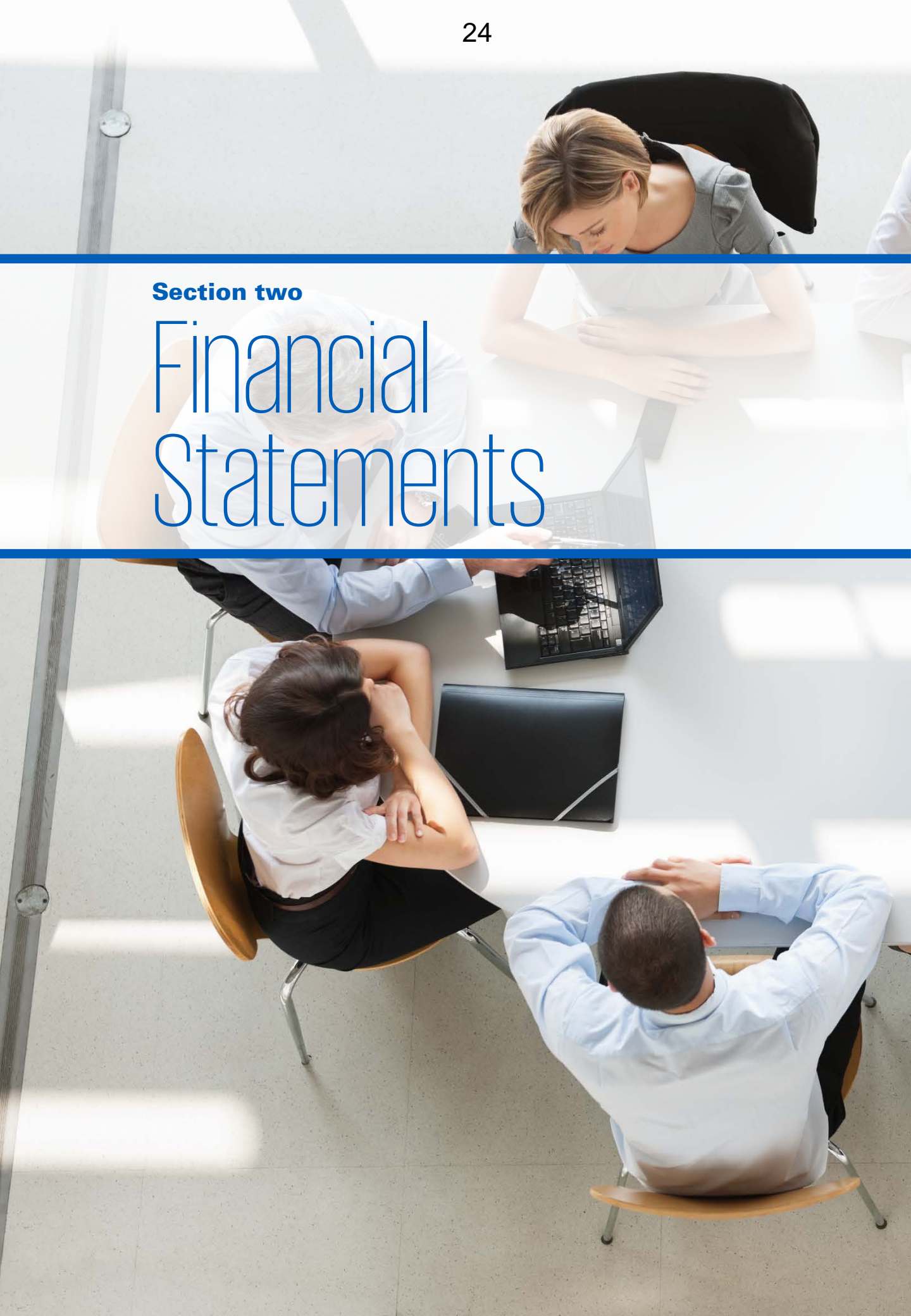
Recommendation are included in Appendix 1.

Aspect of controls	Assessment
Property, Plant and Equipment	3
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure	3
Payroll	2
Pension Fund	3

Key	
1	Significant gaps in the control environment
2	Deficiencies in respect of individual controls
3	Generally sound control environment

Section two

Financial Statements



Accounts production and audit process

Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

The Authority's overall process for the preparation of the financial statements is adequate.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2016/17*.

Accounts practices and production process

The Authority incorporated a number of measures into its closedown plan to further improve the project management of this complex process. Specifically, the Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerge.

We consider that the overall process for the preparation of your financial statements is good.

We also consider the Authority's accounting practices appropriate.

Going concern

The financial statements of both the Authority and the Pension Fund have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority or Pension Fund to continue as a going concern.

Implementation of recommendations

We raised two recommendations in our ISA 260 Report 2016/17, both of which have been implemented. Further details are included in Appendix 2.

Completeness of draft accounts

We received a complete set of draft accounts on 31 May 2018, which is the statutory deadline.

Quality of supporting working papers

We issued our Accounts Audit Protocol to officers before the start of the audit. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. This helps the Authority and the Pension Fund to provide audit evidence in line with our expectations.

The working papers provided this year have been of a good standard. The requested working papers were available at the start of the audit visit and the finance team responded promptly to any requests for additional information or explanation.

However, there were some issues with the quality of data initially provided for our Data Analytics work which delayed this element of testing.

Response to audit queries

Finance staff were available throughout the audit visit to answer our queries and the queries were responded to promptly. We thank the finance team for their co-operation throughout the visit which allowed the audit to progress within the allocated timeframe.

Pension Fund audit

The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements and those of the Pension Fund by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

02

Fraudulent revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements and those of the Pension Scheme.

Specific audit areas

Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

<p>Risk:</p>	<p>Valuation of PPE</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p>
<p>Our assessment and work undertaken:</p>	<p>We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.</p> <p>In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate.</p> <p>We considered movement in market indices between revaluation dates and the year end the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>We also assessed the valuer's qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions).</p> <p>There are no matters from our work which we need to draw to your attention.</p> <p>We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 16.</p>

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

<p>Risk:</p>	<p>Pension Liabilities</p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Leicestershire Local Government Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
<p>Our assessment and work undertaken:</p>	<p>As part of our work we reviewed the controls that the Authority has in place over the information sent to the Scheme Actuary, including the Authority's process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of Hymans Robertson.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Hymans Robertson.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets. We then liaised with the actuary to understand how these assets are allocated across participating bodies.</p> <p>Some elements of this work are still in progress at the date of this report. Subject to completion of the remaining work we would expect to determine that the net pension liability had been properly accounted for and disclosed in the financial statements.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 17.</p>

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:	<p>Faster Close</p> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>During 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by 31 May, although the final signed accounts were not approved until 29 September. Whilst this was an advancement on the timetable applied in preceding years, further work was still required in order to ensure that the statutory deadlines for 2017/18 were met.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"> — Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries and consortia) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this; — Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process; — Ensuring that the Corporate Governance Committee meeting schedules have been updated to permit signing in July; and — Applying a shorter paper deadline to the July meeting of the Corporate Governance Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report. <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority’s Whole of Government Accounts return and the Pension Fund Annual Report. This is not a matter of concern and is not seen as a breach of deadlines.</p>
Our assessment and work undertaken:	<p>We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.</p> <p>We received draft financial statements on the statutory deadline of 31 May 2018. The quality of this draft was consistent with that of prior years.</p> <p>As a result of this work we determined that the Authority had met the earlier financial reporting requirement.</p>

Specific audit areas (cont.)

Significant Audit Risks – Pension Fund

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

Risk:	<p>Valuation of hard to price investments</p> <p>The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. The pricing of complex investment assets may also be susceptible to pricing variances given the number of assumptions underlying the valuation.</p> <p>In the prior year financial statements, £1,033 million out of a total of £3,873 million of investments, or 27%, were in this harder to price category. For year ended 31 March 2018, £1,248 million out of a total of £4,075 million of investments, or 30%, were in this harder to price category</p>
Our assessment and work undertaken:	<p>As part of our audit of the Pension Fund, we independently verified a selection of investment asset prices to third party information and obtained independent confirmation on asset existence. We also tested the extent to which the Pension Fund had challenged the valuations reported by investment managers for harder to price investments and obtained independent assessment of the figures.</p> <p>As a result of this work we determined that investment assets had been correctly 'tiered' into the fair value hierarchy levels. We also determined that management had challenged the valuations reported by investment managers, especially when valuations had been 'rolled-forward' on a cash flow basis.</p>

Judgements (cont.)

Subjective area **2017-18** **2016-17** **Commentary**

Valuation of pension assets and liabilities

3 **3**

The Authority continues to use Hymans Robertson to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation. For example, a 0.5% change in the discount rate would change the net liability by £175,268 million.

The actual assumptions adopted by the actuary fell within our expected ranges with the exception of Discount rate and Life expectancy as set out below:

Assumption	Actuary Value	KPMG Range	Assessment
Discount rate	2.70%	2.20-2.60%	2
CPI inflation	2.40%	1.90-2.50%	3
Net discount rate	0.3%	0.10-0.30%	3
Salary Growth	CPI plus 1%	CPI plus 0% to 2.0%	3
Life expectancy			
Current male / female	22.1/24.3	22.1/23.5	2
Future male/female	23.8/26.2	23.9/25.4	



Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Corporate Governance Committee on 25th July 2018 and signing of the Statement of Accounts at the Constitution Committee on 27th July 2018.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4) for this year's audit was set at £15.25 million. Audit differences below £0.75 million are not considered significant.

We did not identify any material misstatements. We identified an issue that has been adjusted by management. There were no unadjusted misstatements identified during our audit that we are required to report to you.

The table below illustrate the total impact of audit differences on the balance sheet as at 31 March 2018. There is no impact on the General Fund for the year as a result of this adjustment.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We have set out details of significant presentational adjustments in Appendix 3. We understand that the Authority will be addressing these where significant.

Balance Sheet as at 31 March 2018

£m	Pre-Audit	Post-Audit	Ref ¹
Property, Plant & Equipment	£938.5m	£937.1m	T1.1
Net worth	£313.0m	£311.6m	
Unusable reserves	£150.3m	£148.9m	T1.1
Total Reserves	£313.0m	£311.6m	

¹ See referenced adjustments in Appendix 3.

Annual governance statement

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Pension Fund financial statements

We anticipate issuing an unqualified audit opinion on the Pension Fund's 2017-18 financial statements following approval of the Statement of Accounts by the Corporate Governance Committee on 25 July 2018 and signing of the Statement of Accounts at the Constitution Committee on 27 July 2018 .

Pension Fund audit

Our audit of the Fund also did not identify any material misstatements.

For the audit of the Fund we used a higher materiality level of £31 million. Audit differences below £1.550 million are not considered significant.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Fund will be addressing these where significant.

Fund account as at 31 March 2018			Net assets as at 31 March 2018		
£m	Pre-Audit	Post-Audit	£m	Pre-Audit	Post-Audit
Opening net assets of the scheme	3,881	3,881	Net investments	4,075	4,075
Contributions and transfers in	192	192	Net current assets	8	8
Benefits and leavers	(171)	(171)	Net assets of the scheme	4,083	4,083
Management expenses	(6)	(6)			
Return on investments	187	187			
Closing net assets of the scheme	4,083	4,083			

Annual report

The statutory deadline for publishing the annual report is 1 December 2018. The Pension Fund Annual Report is due to be approved by the Local Pension Committee by this date. We will need to complete additional work in respect of subsequent events to cover the period between signing our opinions on the Statement of Accounts and the Pension Fund Annual Report.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Leicestershire County Council and Leicestershire Local Government Pension Scheme for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Leicestershire County Council and Leicestershire Local Government Pension Scheme its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Section 151 Officer for presentation to the Corporate Governance Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017-18 financial statements.

Section three

Value for Money Arrangements



Specific value for money risk areas

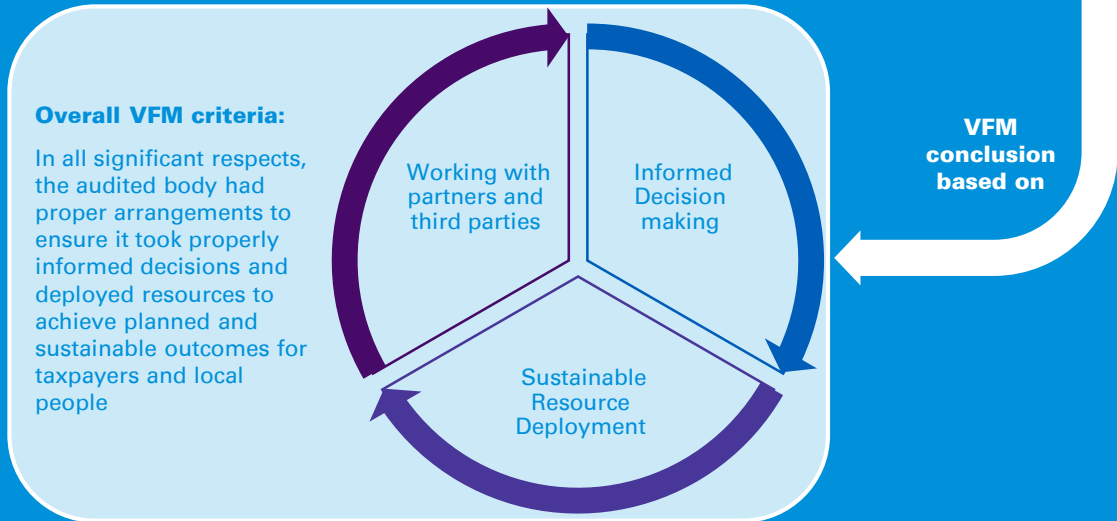
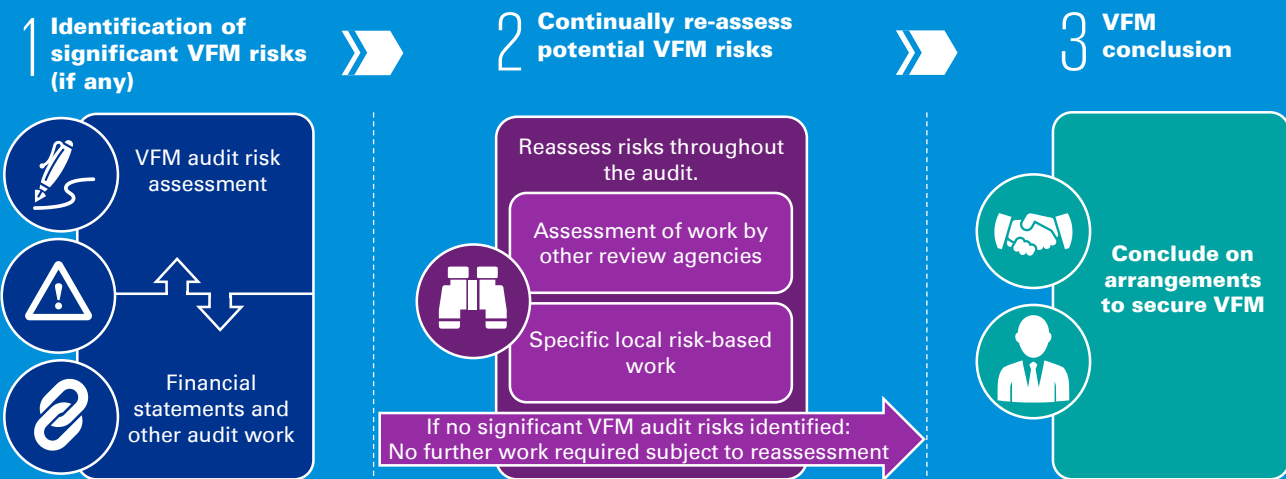
Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Specific value for money risk areas (cont.)

The table below summarises our assessment of the individual VFM risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

Applicability of VFM Risks to VFM sub-criteria

VFM Risk	Informed decision making	Sustainable resource deployment	Working with partner and third parties
Delivery of budgets	✓	✓	✓

In consideration of the above, we have concluded that in 2017-18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.



Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017-18*, we identified a risk requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We have provided below a summary of the risk area identified, our work undertaken and the conclusions reached.

Risk:	<p>Delivery of budgets</p> <p>The Authority identified the need to make savings of £16.4 million in 2017/18. The current year forecast, at period 8, shows that the Authority is on track to deliver the required savings and achieve an anticipated underspend of approximately £7.5 million.</p> <p>The Authority's draft Medium Term Financial Strategy 2018-22 was approved at the December 2017 Cabinet meeting and recognised a need for £16.5 million in savings to be achieved in 2018/19. The draft budget includes individual proposals to support the delivery of the overall savings requirement. Further savings of £37 million will be required over the period 2019/20 to 2021/22 to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.</p>
Our assessment and work undertaken:	<p>Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. For 2017/18 the Authority's outturn was contained within budget and as forecast throughout the year</p> <p>The Authority's MTFs details a balanced budget for 2018/19 including savings of £17.6 million in year, all of which have been identified. However, the MTFs details the increasingly difficult financial challenges faced each year, resulting in the need for continued year on year savings. The authority is currently developing further saving plans to address budget shortfalls on 2020/21 and 2021/22 amounting to a total of £13.2m. We reviewed a number of the Authority's saving schemes and have found that overall there are good-quality schemes and robust reporting.</p> <p>The level of reserves held by the Authority include balances held on behalf of schools and for joint projects with partners. As at 31 March 2018 the General County Fund £24.0 million (2016/17 £25.8 Million) and Earmarked Revenue Reserves £125.1 million (2016/17 £109.4million). The level of reserves are appropriate for the size of the organisation given the continued uncertainties and risk that lie ahead for the whole sector and the individual pressure and challenges the Authority faces in the short to medium term.</p> <p>The Authority will need to continue to keep the level of reserves under review on a periodic basis as its reserve requirements change.</p> <p>We are satisfied that there were adequate arrangements in place at 31 March 2018 and there are no significant matters relating to this risk area which prevent us from giving an unqualified VFM conclusion.</p>

Appendices



Key issues and recommendations

Our audit work on the Authority and Pension Fund’s 2017-18 financial statements has identified five issues that have been listed in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority Rating for Recommendations

1	<p>Priority One: Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> <p>Recommendations Raised: 0</p>	2	<p>Priority Two: Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> <p>Recommendations Raised: 3</p>	3	<p>Priority Three: Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> <p>Recommendations Raised: 2</p>
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No.	Risk	Issue & Recommendation	Management Response
1	2	<p>No periodic user access responsibility review</p> <p>Discussions with the EMSS Systems Administration Team identified that user access responsibility reviews are not carried out on a periodic basis. The last significant user access responsibility review that was carried out was in 2015.</p> <p>Risk</p> <p>Users have inappropriate access responsibilities for their role which could lead to the misappropriation of the Authority’s assets.</p> <p>Recommendation</p> <p>That the Authority implements regular reviews of user access responsibilities for appropriateness for users current roles.</p>	<p>Agreed</p> <p>Responsible Officer</p> <p>Chris Tambini</p> <p>Implementation Deadline</p> <p>October 2018</p>

Key issues and recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response
2	2	<p>Timely revoking of IT access for leavers</p> <p>Over 2400 leavers covering the period 01/04/17 to 18/02/18 were reviewed to ensure that individuals leaving the authority had their access to the authority's IT systems revoked in a timely manner. Of these, 20 required further investigation as their access had not been revoke in a timely manner. It was identified that 5 had logged onto their Oracle accounts after their leaving date, although 4 only had access to Internet Expenses. The remaining leaver who had logged on had access to "IP Adults & Communities" which allows employees to raise and receipt orders, however any orders would need to have been approved. Our investigation confirmed that the individual had not raised any orders or made any requisitions since their leaving date.</p> <p>Risk</p> <p>Misuse of Authority IT systems by users who have left the authority.</p> <p>Recommendation</p> <p>To review the current process of identifying users whose access need to be revoked due to them having left the Authority.</p> <p>In addition the Authority has started its Oracle ERP system replacement programme and should ensure that as part of the replacement the weakness within the current Oracle system for revoking leavers access in a timely manner is addressed.</p>	<p>Agreed</p> <p>Responsible Officer</p> <p>Chris Tambini</p> <p>Implementation Deadline</p> <p>October 2018</p>
3	2	<p>Payroll BACS authorisation</p> <p>Payroll BACS authorisation process we found that for one of the three monthly BACS payroll payments in one of the months tested, the same officer had both input and authorised the BACS payment.</p> <p>Risk</p> <p>Incorrect payroll payments made to employees.</p> <p>Recommendation</p> <p>Ensure that the input and authorisation of BACS payments are always undertaken by two separate officers.</p>	<p>Agreed</p> <p>Responsible Officer</p> <p>Chris Tambini</p> <p>Implementation Deadline</p> <p>October 2018</p>

Key issues and recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response
4	3	<p><i>Pension Fund – Investment Asset Reconciliation</i></p> <p>Quarterly NAV statements received from Fund Managers are not input into the ledger until the year end, during accounts closedown process.</p> <p><i>Risk</i></p> <p>Changes in market values of the Fund’s investments is not journaled into the ledger correctly.</p> <p><i>Recommendation</i></p> <p>The Fund should reconcile the Fund Manager NAV statements back to the ledger on a quarterly basis. This should be prepared and approved by two separate officers.</p>	<p>Agreed</p> <p><i>Responsible Officer</i></p> <p>Chris Tambini</p> <p><i>Implementation Deadline</i></p> <p>December 2018</p>
5	3	<p><i>Pension Fund – Bank Reconciliation</i></p> <p>Pension Fund cash is currently reconciled on a daily basis. We noted that this reconciliation is not formally reviewed.</p> <p><i>Risk</i></p> <p>Cash is incorrectly reconciled between the bank and the ledger.</p> <p><i>Recommendation</i></p> <p>The Fund should implement a formal month end bank reconciliation, which is prepared and approved by two separate officers. This will also align the Fund’s processes with the ones of the County Council.</p>	<p>Agreed</p> <p><i>Responsible Officer</i></p> <p>Chris Tambini</p> <p><i>Implementation Deadline</i></p> <p>October 2018</p>

Follow-up of prior year recommendations

The Authority has implemented all of the recommendations raised through our previous audit work.

In the previous year we raised two recommendations which we reported in our *ISA 260 Report 2016/17*

Number of recommendations that were

Included in the original report	2
Implemented in year or superseded	2
Outstanding at the time of our interim audit	0

No.	Risk	Issue & Recommendation	Management Response	Status of recommendation
1	2	<p>Approval of the 2016/17 Final Statement of Accounts within the earlier deadline.</p> <p>For 2016/17 the Authority decided to keep the approval of the Final Statement of Accounts to September even though they planned for and successfully produced the draft Statements to meet the new 2017/18 deadline. This decision was to allow for any slippage in the planned earlier close down and accounts production, thereby avoiding the risk of having to alter committee dates at short notice.</p> <p>However, in order for the Authority to meet the new 2017/18 deadline, arrangements for the earlier approval of the final Statement of Accounts will need to be in place.</p> <p>Recommendation</p> <p>Ensure that arrangements have been made for the appropriate approval of the final Statements of Accounts in accordance with the new 2017/18 deadline.</p>	<p>Accepted</p> <p>Responsible Officer</p> <p>Chris Tambini</p> <p>Implementation Deadline</p> <p>31 December 2017</p>	Fully implemented
2	2	<p>Key Staff changes within the Strategic Finance Technical Accounting Team</p> <p>The Strategic Finance Technical Accounting Team (TAT) successfully produced the draft statements two months earlier this year in preparation for the new 2017/18 deadline. However, a key officer within the team left during the year and their replacement is not due to take up post until October 2017. The new officer will be under pressure to learn the requirements of their new role whilst also supporting the team to maintain the early closedown and draft statement production.</p> <p>There is a risk that this may lead to delays in the production of the draft statements and/or quality issues with supporting working papers. Both of which could have an adverse impact on the length of our audit and the Authority meeting the new 2017/18 deadline.</p> <p>Recommendation</p> <p>Ensure adequate support and training is available to TAT during closedown and production of the statements and continue to have regular catch up meetings with ourselves, particularly running up to close down, to monitor progress and address any issues as they arise.</p>	<p>Accepted</p> <p>Responsible Officer</p> <p>Chris Tambini</p> <p>Implementation Deadline</p> <p>31 December 2017</p>	Fully implemented

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Corporate Governance Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2017-18 draft financial statements. The Technical Accounting Team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Adjusted audit differences – Authority

The following table sets out the significant audit differences identified by our audit of Leicestershire County Council's financial statements for the year ended 31 March 2018. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Table 1: Adjusted audit differences – Authority (£'m)

No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1	Surplus on Revaluation of Property, Plant and Equipment	Unusable Reserves Total Comprehensive Expenditure and Income	Property, Plant and Equipment – Land and Buildings		Unusable Reserves – Revaluation Reserve	Difference between asset value per K2 property system and Fixed Asset Register following download from K2.
	Cr 1.36	Dr 1.36	Cr 1.36		Dr 1.36	Total impact of adjustments

Presentational adjustments - Authority

We identified a number of presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

None of these adjustments were not significant and it is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Presentational adjustments – Pension Fund

We also identified a number of presentational adjustments required to ensure that Pension Fund's financial statements for the year ending 31 March 2018 are fully compliant with the Code.

None of these adjustments were not significant and it is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in January 2018.

Materiality for the Authority's accounts was set at £15.25 million which equates to around 1.9% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Corporate Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.75 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance Committee to assist it in fulfilling its governance responsibilities.

Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £31 million which is approximately 0.8 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £1.55 million for 2017-18.

Required communications with the Corporate Governance Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Auditing Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	We have identified one adjusted audit differences with a total value of £1.36 million. See page 18 for details. This adjustment did not impact the reported deficit on provision of services. We have identified no adjusted differences as a result of our audit of the Pension Fund's financial statements.
Unadjusted audit differences	We have identified no unadjusted differences as a result of our audit of the Authority's and Pension Fund's financial statements
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Corporate Governance Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We have set out our assessment of the Authority's internal control environment in Section one of this report. We identified two IT control environment and one key financial systems control deficiencies which are reported from page 6.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Members or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

Required communications with the Corporate Governance Committee (cont.)

Required Communication	Commentary
Other information	<p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p>
Our declaration of independence and any breaches of independence	<p>No matters to report.</p> <p>The engagement team and others in the firm have complied with relevant ethical requirements regarding independence.</p> <p>See Appendix 6 for further details.</p>
Accounting practices	<p>Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 17.</p>
Significant matters discussed or subject to correspondence with management	<p>There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.</p>



Declaration of independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF LEICESTERSHIRE COUNTY COUNCIL AND LEICESTERSHIRE LOCAL GOVERNMENT PENSION SCHEME

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Breaches of applicable ethical standards;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations related to breaches of the FRC Ethical Standard

On 12 October 2017 we wrote to the Council outlining a breach in relation to the FRC Ethical Standard in respect of the engagement of KPMG EU Tax Funds team in February 2011 and April 2013 to provide tax services in relation to the recovery of withholding tax on manufactured overseas dividends to Leicestershire County Council Pension Fund.

These tax engagements have been terminated and we do not consider the breach to have been significant in terms of our independence and objectivity as your auditors for the following reasons:

Declaration of independence (cont.)

- The audit team were not aware of the existence of the service until April 2017 and as a result this would not have impaired their objectivity for the audit periods up to 31 March 2016.
- No services have been provided since KPMG's appointment as auditor to Leicestershire County Council Pension Fund.
- The tax claims made amount to £1,464,999.51. This is not regarded as material to the financial statements of Leicestershire County Council Pension Fund.
- The tax claims were still unsettled at the point in time when the engagement was terminated and consequently the potential tax repayment had not been recognised in the accounts of the pension fund.

Based on the above, in our professional judgement, we have concluded that our objectivity as auditor has not been compromised and the firm and the engagement team maintained their independence of Leicestershire County Council Pension Fund.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
Audit of the Authority	76,950	76,950
Audit of the Pension Fund	27,637	27,637
Total audit services	104,587	104,587
Audit related assurance services	2,500	2,500
Total Non Audit Services	2,500	2,500
Total fees payable	107,087	107,087

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 4%. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Audit-related assurance services				
Grant Certification – Teachers Pensions Return	The nature of these audit-related services is to provide independent assurance on the return. As such we do not consider them to create any independence threats.	Fixed Fee	2,500	nil

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Corporate Governance Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Corporate Governance Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



KPMG LLP

Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our fee for the 2017/18 audit is £76,950 (£76,950 2016/2017) for the Authority and £27,637 (£27,637 2016/17) for the Pension Fund, which is consistent with prior year and in line with the scale fees published by PSAA.

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
Accounts opinion and value for money work		
PSAA Scale fee (Leicestershire County Council)	76,950	76,950
PSAA Scale fee (Leicestershire Local Government Pension Fund)	27,637	27,637
Total audit services	104,587	104,587
Audit-related assurance services		
Teachers' Pension Return (work planned for September)	3,000	2,500
Total non-audit services	3,000	2,500
Grand total fees for the Authority	107,587	107,087

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, 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 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, by email to 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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