APPENDIX A

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Report to those charged with governance (ISA 260) 2013/14

North West Leicestershire District Council

September 2014

Contents

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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 has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

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Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

Scope of this report

This report summarises the key findings arising from:

- our audit work at North West Leicestershire District Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in February 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during March 2014 (interim audit) and August 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

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Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding of the Authority and is consistent with the financial statements.
Audit adjustments	Our audit of your financial statements has identified material adjustments, none of which impact on the overall financial position of the Comprehensive Income and Expenditure Account or Balance Sheet. The Authority also made a small number of non-trivial adjustments, most of which were of a presentational nature. For completeness, we have included a list of all material and non-trivial audit differences in Appendix 2.
Accounts production and audit process	The Authority has adequate processes in place for the production of the accounts and adequate quality supporting working papers, although there is scope for improvement. We have made a recommendation in Appendix 1. The Authority has made good progress in implementing the recommendations raised in last year's ISA 260 report. We have worked with officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately as set out on pages 5 and 6.
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems.
Completion	At the date of this report our audit work is substantially complete. However, the following matters are currently outstanding: ■ Completion of outstanding queries on certain areas of the financial statements; ■ Updated set of financial statements, including the processing of audit adjustments; and ■ Final review of audit work by the Director and final review of the updated financial statements. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	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 VFM conclusion by 30 September 2014.

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Proposed opinion and audit differences

We have requested some material amendment.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit and Governance Committee on 24 September 2014.

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.

We did identify material misstatements relating to the presentation of capital grant income in the Comprehensive Income and Expenditure Statement, and the presentation of investments and provisions in the Balance Sheet. These are classification in nature and do not alter the financial position of the Authority.

We identified material misstatements relating to the depreciation of Plant, Property and Equipment.

Appendix 2 provides further details of these amendments.

We did identify a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. These included presentational adjustments to the accounting policies and provisions disclosure, and minor adjustments to the Movement in the Reserves Statement. These have been amended.

In addition we noted an amount of £223k in relation to the Business Rates retention scheme where it is unclear what it relates to and consequently there is uncertainty over the treatment of this amount in relation to the new NNDR pooling arrangement. We have advised officers that it would not be appropriate to make amendments in relation to this item until it is clear what it is.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

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Key financial statements audit risks

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in March 2014, we identified the key risks affecting the Authority's 2013/14 financial statements. Since then we also added an additional risk around the accounting for the business rate retention scheme, which we have detailed below. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our 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, did not identify any issues.

Key audit risk	Issue	Findings
LGPS Triennial Review	During the year, the Local Government Pension Scheme for Leicestershire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Leicestershire County Council who administer the Pension Fund.	We have completed a review of the disclosures in regard to the requirements of IAS 19 and the SORP. We have also compared the entries to the information provided by the Actuary in relation to the LGPS Pension Scheme in Leicestershire. We have no matters to raise with you as a result of this work.

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Section three

Key financial statements audit risks (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
Business rate retention scheme	On 1 April 2013 a new system of business rate retention began which saw the Council enter into a pooling arrangement with the other Leicestershire district councils. Some of the guidance relating to the changed requirements was late in being issued. This meant that the new national arrangements and associated pooling arrangements presented new accounting challenge for all councils this year and brought a risk that NNDR income and associated accounting entries may be misstated.	We reviewed the accounting treatment for business rates and found it to be in line with the CIPFA Code of Practice. However we noted an amount of £223k in relation to the Business Rates retention scheme where it is unclear what it relates to and consequently there is uncertainty over the treatment of this amount in relation to the new NNDR pooling arrangement. We have advised officers that it would not be appropriate to make amendments in relation to this item until it is clear what it is. Due to the short term loss of a key member of staff involved in preparing the accounting entries, there was some gap in knowledge of the new system of business rate retention by the finance team. This was also impacted by the very late release of accounting guidance. We also identified that there is scope to more clearly present the NNDR working papers to avoid additional audit queries. We will discuss the way forward with officers in order to secure improvements in future years.

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Accounts production and audit process

The Authority has built upon the improvements made last year addressing the recommendations raised in last year's ISA 260 report.

Officers were proactive in resolving audit queries in a reasonable time scale.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about 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.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has adequate financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2014.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued on 18 February 2014, and discussed with the Finance Planning Manager, set out our working paper requirements for the audit. The quality of working papers were of an adequate standard, although there is scope for further improvement to assist the delivery of a smooth audit engagement.
Response to audit queries	Officers were proactive in resolving audit queries in a reasonable time scale.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

Two recommendations were raised in relation to the ICT Strategy and Member's annual related parties transaction returns.

The Authority has implemented both of the recommendations set out in our *ISA 260 Report 2012/13.*

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Control environment

The Authority's organisation control environment is effective, and controls over the key financial systems are sound.

During March 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational control environment

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 therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

We found that your organisational control environment is effective overall.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on our own work on controls over the year end process, the controls over the financial systems are sound.

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We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 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 North West Leicestershire District Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and North West Leicestershire District Council, 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 Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 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 Head of Finance for presentation to the Audit and 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 2013/14 financial statements.

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VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

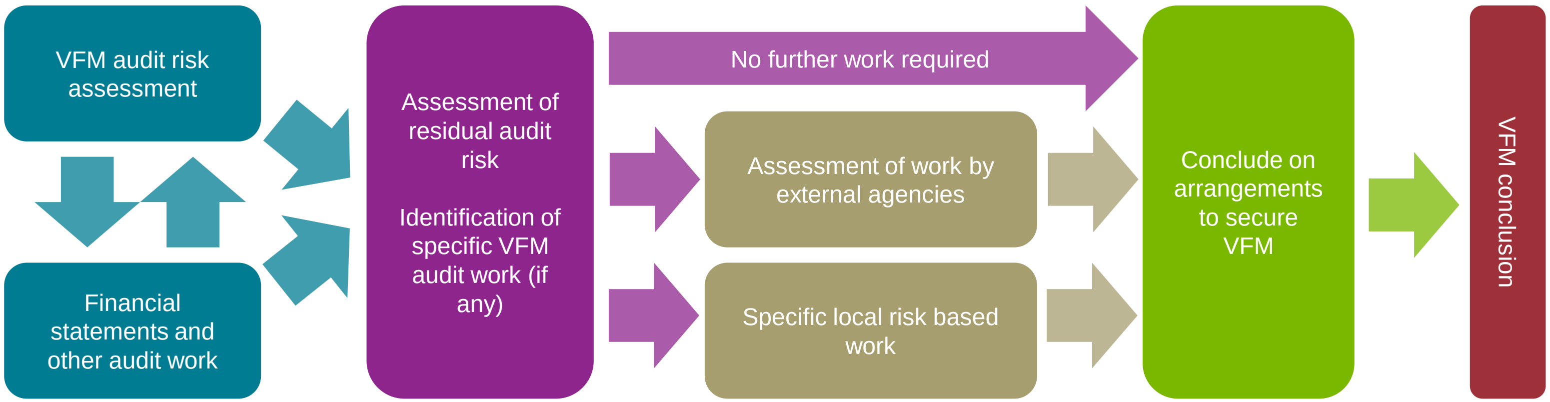
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



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Appendix 1: Key issues and recommendations

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

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up this recommendation next year.

Priority rating for recommendations		
❶ ***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.	❷ ***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.	❸ ***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.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❸	**Working papers** The supporting working papers to the accounts were of an adequate standard, although could be more clearly presented to avoid additional queries being raised. We will discuss with management the specific working papers which could be improved. In particular we were required to undertake additional work in relation to: • NNDR pooling arrangements. This was partly due to the lack of detailed guidance, although working papers could have more clearly set out the accounting treatment and set out the basis for journal entries. Prior to the 2014/15 audit, we would encourage an early review of the working papers to ensure that the information is accurate and there is a clear link to the financial statements.	Response We agree that in some cases there is scope for presenting working papers more clearly. We welcome the opportunity to discuss further the specific working papers involved. In respect of NNDR Pooling in particular the issue should not arise in 2014/15 as the Council is not taking part of any such arrangements, we will however take these comments on board should this change in future years. We will be reviewing our working papers at an early stage prior to commencing the closure of the 2014/15 accounts. Responsible Officer – Financial Planning Team Manager Due Date – March 2015.

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Appendix 2: Audit differences

This appendix sets out the material / non-trivial corrected audit differences.

It is our understanding that this will be adjusted.

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 Audit and 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.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of North West Leicestershire District Council's financial statements for the year ended 31 March 2014.

	Impact					
No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	Basis of audit difference
1	Dr Planning Services (Gross Income) £1,317,508 Cr Taxation and Non-Specific Grant Income £1,317,508	-	-	-	-	Under CIPFA Code of Practice capital grants should be classified in the Comprehensive Income and Expenditure Statement under the heading 'Taxation and Non-Specific Grant Income'. The Authority has incorrectly classified section 106 capital grant Income under the heading 'Planning Services' instead of 'Taxation and Non-Specific Grant Income' in the Comprehensive Income and Expenditure Statement. This does not alter the financial position of the Comprehensive Income and Expenditure Statement as the two amendments balance each other out.

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Appendix 2: Audit differences (Continued)

This appendix sets out the material / non-trivial corrected audit differences.

It is our understanding that this will be adjusted.

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
2	Cr Housing Services HRA (Gross Expenditure)/ HRA I&E £2,199,624	Dr Housing Revenue Account £2,199,624	Dr Property, Plant and Equipment £2,199,624	-	Cr Capital Adjustment Account £2,199,624	The Authority has over depreciation assets from 2010/11 to 2013/14 due to the incorrect depreciation methodology used. These differences only relate to 2013/14, See below for differences relating to 2010/11 to 2012/13.
	Dr Housing Services HRA (Gross Expenditure)/ HRA I&E £1,445,360	Cr Housing Revenue Account £1,445,360	Cr Property, Plant and Equipment £2,199,624	-	Dr Revaluation Reserve £754,264 Dr Capital Adjustment Account £1,445,360	

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Appendix 2: Audit differences (Continued)

This appendix sets out the material / non-trivial corrected audit differences.

It is our understanding that this will be adjusted.

No.	Impact: Income and Expenditure Statement	Impact: Movement in Reserves Statement	Impact: Assets	Impact: Liabilities	Impact: Reserves	Basis of audit difference
3	-	-	Dr Short Term Investments £2,000,000 Cr Cash and Cash Equivalent £2,000,000	-	-	As per the Authority's accounting policies investments are classified as cash equivalents where the maturity date is less than three months from the date of acquisition. We identified one investment within the cash and cash equivalent balance with the maturity date of more than three months. As a result the Authority has incorrectly classified this investment under cash and cash equivalent instead of short term investment. This does not alter the financial position of the Balance Sheet as the two amendments balance each other out.
4	-	-	Dr Debtors £1,498,579	Cr Provisions £1,498,579	-	Incorrect classification of the Authority's share of Provision for NNDR Appeals and provision relating to Property Search Companies as Debtors instead of Provisions on the Balance Sheet. This does not alter the financial position of the Balance sheet as the two amendments balance each other out.
	£-754,264	**£754,264**	**£1,498,579**	**£-1,498,579**	**£0**	**Total impact of adjustments**

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Appendix 2: Audit differences (Continued)

This appendix sets out the material / non-trivial corrected audit differences.

It is our understanding that this will be adjusted.

Corrected prior year audit differences

The following table sets out the significant prior year audit differences identified by our audit of North West Leicestershire District Council's financial statements for the year ended 31 March 2014.

No.	Impact					Basis of audit difference
	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
1	Cr Housing Services HRA (Gross Expenditure)/ HRA I&E £6,213,529	Dr Housing Revenue Account £6,213,529	Dr Property, Plant and Equipment £6,213,529	-	Cr Capital Adjustment Account £6,213,529	The Authority has over depreciation assets from 2010/11 to 2013/14 due to the incorrect depreciation methodology used. The Authority has restated its comparatives in the 2013/14 North West Leicestershire District Council's financial statements to account for the misstatements relating to 2010/11 to 2012/13.
	Dr Housing Services HRA (Gross Expenditure)/ HRA I&E £5,473,208	Cr Housing Revenue Account £5,473,208	Cr Property, Plant and Equipment £6,213,529	-	Dr Revaluation Reserve £740,321 Dr Capital Adjustment Account £5,473,208	
	£-740,321	**£740,321**	**£0**	**£0**	**£0**	**Total impact of adjustments**

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Appendix 2: Audit differences (Continued)

This appendix sets out the unadjusted non-trivial audit differences.

Unadjusted audit differences

There is one unamended non-trivial audit difference identified by our audit of North West Leicestershire District Council’s financial statements for the year ended 31 March 2014. This is in relation to accounting treatment of £223k within the new NNDR pooling agreement . There is uncertainty over the treatment of this amount and it impacts on debtors and creditors balances only. We are satisfied that this is not a material matter.

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Appendix 3: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit and Governance Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

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Appendix 3: Declaration of independence and objectivity (continued)

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

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of North West Leicestershire District Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and North West Leicestershire District Council, 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 Audit Commission's requirements in relation to independence and objectivity.

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