



*Meeting:* **Corporate Governance Committee**

*Date/Time:* **Wednesday, 25 November 2020 at 2.00 pm**

*Location:* **Microsoft Teams.**

*Contact:* **Mrs L Walton (tel: 0116 305 2583)**

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### **Membership**

Mr. T. Barkley CC (Chairman)

Mr. G. A. Boulter CC    Mr J. Poland CC  
Mr. J. Kaufman CC    Mr. T. J. Richardson CC  
Mr. J. T. Orson JP CC    Mr. S. D. Sheahan CC  
Mr. I. D. Ould OBE CC    Mrs. A. Wright CC

### **SUPPLEMENTARY AGENDA**

<u>Item</u>	<u>Report by</u>	
7. External Audit of the Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.	Director of Corporate Resources	(Pages 3 - 68)



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## **CORPORATE GOVERNANCE COMMITTEE - 25 NOVEMBER 2020**

### **EXTERNAL AUDIT OF THE 2019/20 STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT & PENSION FUND ACCOUNTS**

### **SUPPLEMENTARY REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **Purpose of Report**

1. The purpose of this report is to set out the key findings from the external audit of the 2019/20 financial statements and to seek the Committee's approval of the draft letters of representation.
2. The report also provides an update on the National Audit Office's (NAO) guide for Audit & Risk Committees on financial reporting and management during Covid-19.

#### **Background**

3. Grant Thornton UK LLP, the County Council's external auditor, are required to communicate the results of the 2019/20 audit of the Council's financial statements to those charged with governance prior to certifying the financial statements. The draft 2019/20 Statement of Accounts, Annual Governance Statement (AGS) and Pension Fund Accounts can be viewed on the Council's website via the following link:-  
  
<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2020/7/24/Statement-of-Accounts-AGS-and-Pension-Fund-Accounts-2019-2020.pdf>
4. A copy of the auditor's report is attached as Appendix A to this report.
5. A copy of the letters of representation for the County Council and Pension Fund are attached as Appendices B and C to this report for member consideration.
6. John Gregory, Audit Partner from Grant Thornton UK LLP, responsible for the audit will attend the Committee meeting to communicate any significant findings and answer any questions.
7. The auditor has reviewed the financial statements and, whilst there are still a few minor bits of work to finish off, has provisionally concluded that there are no material accounting issues to report. The external auditor anticipates issuing an unqualified opinion.
8. Following the outbreak of Covid-19, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 were issued in April 2020 which amended the

deadlines for the completion and external audit of the financial statements to allow additional time. The revised dates are: draft accounts to be published by 31 August 2020 and the External Audit to be completed by 30 November 2020. This change applies to the 2019/20 financial accounts only. The draft accounts were produced in July 2020.

9. The draft Annual Governance Statement (AGS) for 2019/20 was considered by the Council's Corporate Governance Committee on 24 July and was subsequently published with the draft Statement of Accounts. The Code of Practice on Local Authority Accounting in the UK 2019/20, states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported. Such events and developments are reported on the final page of the updated AGS – see Appendix D.
10. The Committee considered a report at its meeting on 24 July 2020 which gave a summary on how the County Council was responding at that time to the NAO guidance. The guidance was in four parts. This report together with the external auditor's report provides an update on the section relating to Financial Reporting. The other areas of the NAO report are included in a separate report elsewhere on the agenda.

### **Key Findings of the External Auditor**

11. Overall there were no material issues raised in respect of the financial statements. Two recommendations were raised. These relate to minor issues around the timing of school bank account reconciliations (completed early in readiness for the planned new financial system at the time) and recommendations from the information technology audit.
12. The IT audit related to the audit of the financial system, Oracle EBS. Issues raised related mainly to a) the timely removal of the Systems Administration team's access to Oracle EBS which is used to support user queries, and b) use of the generic system administrator account, used by core ICT staff to maintain and update the system. The recommendations will be addressed as part of the implementation of Oracle Fusion Cloud which was due at the start of April 2020, but due to the outbreak of Covid-19 is now taking place in November 2020.
13. The External Auditor has also proposed an increase in their fees for the audit due to additional work on the audit arising from the impact of Covid-19 on the financial statements and the consequence of remote working on the efficiency of the audit. An increase of 15% is proposed; revised fee for the County Council of £81,767 and for the Pension Fund £29,360.

### **Financial Reporting**

14. The NAO guidance covers the Statement of Accounts, and in particular the following areas:
  - valuations, including property, pension scheme and inventory valuations;
  - completeness of liabilities;

- going concern;
  - events after the reporting period.
15. The questions raised in the guide are similar to the enquiries that the External Auditor has raised and are included in their report. Any additional comments are provided below.
  16. Valuations – the County Council uses a professional firm of RICS qualified valuers to undertake the majority of its land and building asset valuations. This is supplemented by Internal professional RICS qualified valuers for Industrial Properties and County Farms due to their specialist nature. In line with the CIPFA Accounting Code of Practice valuations are carried out on a five-year rolling programme, such that all assets are valued once every five years. The Council also values the top 20 value assets and all assets where work had been undertaken during the year, every financial year. In 2019/20 this approach resulted in £288m of assets being valued (around half of the overall value of land and building).
  17. As a result of Covid-19 the external valuer has included in their report a statement that there is uncertainty in property markets as at the balance sheet date which could affect their valuations. As a result, the external auditor will include an emphasis of matter within their audit opinion. This is explained on page 7 of the auditor's report and is not a qualification of the opinion – 'it is simply an additional paragraph within it which draws the reader's attention to a particular part of the accounts, in this case the disclosures of this estimation uncertainty. Almost all councils will have such an EoM in their audit reports for 2019/20'.
  18. Pensions – the County Council and the Pension Fund engage a professional firm of Actuaries, Hymans Robertson, to carry out the triennial valuation and annual IAS19 valuation of the pension fund. The assumptions used by the actuary have been reviewed by PwC, employed by the NAO to review the reasonableness of assumptions, and have been confirmed to be all within their expected range, see page 12 of the external auditor's report.
  19. Inventory – the County Council holds inventories (stocks) of £1.7m as at the balance sheet date. The largest inventory is materials held in stores for Leicestershire Highways. Stock valuations are undertaken throughout the financial year and again in March 2020, and as close to the balance sheet date as operationally possible, in order that the correct value is reported in the financial accounts. This is the same process for all other inventories held. There are no significant adjustments to the stock valuations as at the balance sheet due to Covid19.
  20. Completeness of liabilities – through regular monthly budget monitoring (and assessment at year end) the County Council is continually assessing its exposure to liabilities. The main areas include uninsured insurance claims and bad debts. Based on the assessments made, funding is set aside in reserves and/or provisions as appropriate to the level of risk. Details are provided in Notes 12 and 27 to the accounts. An assessment of the sensitivity to increases in levels is also included in Note 5 to the accounts.
  21. Going Concern – Covid-19 has had a significant impact on the County Council's financial position. For 2020/21 the latest net additional cost is forecast to be £12m. After other non Covid-19 budget variations, the net effect is currently forecast to be

an overspend on the general fund of £7.4m at year end. The financial pressures are also forecast to continue in later years mainly due to the effects of the slow-down in the economy affecting business rates and council tax income. In response to the situation the Council has put in place a series of spending controls to reduce costs, has reassessed its four-year capital programme and is working on a programme of additional savings. These actions are expected to reduce the forecast overspend position by year end. In addition, the Council holds sufficient levels of funds and balances, for instance the general fund and other earmarked funds, that could be used to fund the in year overspend if needed. While Covid-19 is having a significant impact on the Council's finances, funding provided by the government and the actions taken by the County Council have placed it in a good position, such that there are no material issues impacting on its ability to continue operating for the foreseeable future.

22. Events after the reporting period – these are reported in Note 7 to the accounts and include the impact of Covid-19 and the potential impact of Britain's departure from the European Union. The COVID-19 pandemic has led to a recession, but the full effect of this may not be known for some time. Central Government have provided grants to mitigate the impact of COVID-19 but this will not fully cover the amount required. The County Council is able to withstand the short-term impact, but the impact is likely to be long lasting and further measures, in addition to those that are already planned, are likely to be required.
23. There is still uncertainty about the implications of Britain's departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate in the IAS19 Pension disclosures. However, this assumption will be reviewed regularly.
24. Both items are indicative of conditions that exist after the balance sheet date and are therefore reported as a non-adjusting (note to the accounts) only.

### **Recommendations**

25. The Committee is asked to note this report

### **Background papers**

26. None

### **Circulation under the Local Issues Alert Procedure**

27. None

### **Equality and Human Rights Implications**

28. There are no discernible equality and human rights implications

### **Appendices**

Appendix A - External Auditor's Report

Appendix B - Letter of Representation (County Council)  
Appendix C - Letter of Representation (Pension Fund)  
Appendix D – Revised Annual Governance Statement

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY



# The Audit Findings for Leicestershire County Council and Leicestershire County Council Pension Fund

Year ended 31 March 2020

25 November 2020



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicestershire County Council ('the Council') and Leicestershire County Council Pension Fund ('the Pension Fund') and the preparation of the Council's and Pension Fund's financial statements for the year ended 31 March 2020 for those charged with governance.

<p><b>Covid-19</b></p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has implemented government guidance and had to look at alternate ways in which delivers services with many of the workforce working remotely from the Council Offices for the foreseeable future.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 29 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>The Council was able to produce a first draft of the financial statements in July 2020, which was in line with revised government guidance given the impact of Covid-19.</p> <p>Restrictions for non-essential travel have meant both Council and audit staff have had to carry out the financial statements audit away from the Council offices. This has changed the way in which the audit team have accessed the financial systems, interacted with the Council staff via virtual calls and use of remote file sharing software to share information, including increased testing on the authenticity and completeness of information provided by officers.</p>
<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council and the Pension's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and income and expenditure for the year;</li> <li>• give a true and fair view of the financial position of the Pension Fund and the income and expenditure for the year</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was carried out remotely during the September to November period. Our findings are summarised from page 6 onwards. We have identified no adjustments to the financial statements which would impact the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters, on which we will provide an update to the Committee meeting:</p> <ul style="list-style-type: none"> <li>• final audit housekeeping steps</li> <li>• receipt of supporting documentation for some outstanding items in our sample testing</li> <li>• completion of procedures over journals, revaluation of land and buildings and procedures over the net pension liability</li> <li>• receipt of some third party investment confirmations from financial institutions</li> <li>• updating our post balance sheet events review, to the date of signing the opinion</li> <li>• receipt of management representation letter; and</li> <li>• review of the final set of financial statements.</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinions will be unqualified including, Emphasis of Matter paragraphs, highlighting PPE valuation material uncertainties for both the Council and the Pension Fund.</p>

# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicestershire County Council ('the Council') and Leicestershire County Council Pension Fund ('the Pension Fund') and the preparation of the Council's and Pension Fund's financial statements for the year ended 31 March 2020 for those charged with governance.

<b>Value for Money arrangements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Leicestershire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 18 to 19.
<b>Statutory duties</b>	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> <li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>To certify the closure of the audit.</li> </ul>	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code but are unable to issue our completion certificate until we complete procedures on Whole of Government Accounts.

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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during this challenging period.

# Audit approach

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been/ discussed with management and the Corporate Governance Committee.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council and Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Council and Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our original Audit Plan to reflect our response to the Covid-19 pandemic, which included a specific financial statement level risk in relation to Covid-19 and a specific value for money risk in relation to financial sustainability.

## Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved as detailed in the headline section, we anticipate issuing an unqualified audit opinion following the Corporate Governance Committee meeting on 25 November 2020. We will provide a verbal update at the meeting in relation to the matters currently outstanding.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements (Council)	11,900,000	% of gross revenue expenditure, based on prior year financial statements
Performance materiality (Council)	8,925,000	75% of materiality
Trivial matters (Council)	595,000	5% of materiality
Materiality for Senior Officer remuneration (Council)	100,000	based on expenditure of senior officer remuneration
Materiality for the financial statements (Pension Fund)	29,000,000	% of pension fund assets
Performance materiality (Pension Fund)	20,300,000	75% of materiality

# Significant audit risks - Council

**Risks identified in our Audit Plan****Auditor commentary****Covid- 19 (also applies to Pension Fund)**

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided in July 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment;
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

We are satisfied for the year ending 31 March 2020 the Council have worked effectively to respond to the challenges brought by Covid-19 and were able to produce financial statements in line with revised deadlines and take into account the impact of Covid-19 on their operations and their finances.

**Improper revenue recognition**

As reported in our audit plan on 31 January 2020, we have rebutted the risk of revenue recognition and have deemed that this rebuttal still remains appropriate.

# Significant audit risks - Council

## Risks identified in our Audit Plan

### Management override of controls

## Auditor commentary

We have;

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work is not completed in this area, however, to date we have not highlighted any evidence of management override of control

### Valuation of Land and Buildings

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- corresponded with the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Council asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

See page 11 for significant findings on key estimates and judgements. As reported on page 11 we will include an Emphasis of Matter in our audit opinion as a result of the material uncertainty reported in Bruton Knowles' valuation report as at 31 March 2020. An Emphasis of Matter (EoM) is not a qualification of the opinion – it is simply an additional paragraph within it which draws the reader's attention to a particular part of the accounts, in this case the disclosures of this estimation uncertainty. Almost all councils will have such an EoM in their audit reports for 2019/20.

# Significant audit risks - Council

## Risks identified in our Audit Plan

### Valuation of pension fund net liability

## Auditor commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the audit of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

See page 12 for significant findings on key estimates and judgements. As reported on page 12 we will include an emphasis of matter in our audit opinion for the Pension Fund audit, as there is a material uncertainty disclosed in the valuation of the Direct properties of £99m. Given the Councils share of these assets is material, we will include an emphasis of matter in our audit opinion for the Council too.



# Significant audit risks – Pension Fund

## Risks identified in our Audit Plan

## Auditor commentary

### The valuation of Level 3 investments is incorrect

We have:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met
- independently requested year-end confirmations from investment managers and custodians
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period
- in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register
- where available reviewed investment manager service auditor report on design effectiveness of internal controls.


See page 13 for significant findings on key estimates and judgements. As reported on page 13 we will include an emphasis of matter in our audit opinion for the Pension Fund audit, as there is a material uncertainty disclosed in the valuation of the direct properties of £99m.

## Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<b>IFRS 16 implementation has been delayed by one year</b>	Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31	We are satisfied that Council has included the requirements we would expect to disclose including the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases

# Significant findings – key estimates and judgements - Council

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Other - £569m</b>	<p>Land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged an external valuer to value the majority of assets requiring valuation as per its five yearly cyclical basis. £288m out of £569m of total assets were revalued during 2019/20. The valuation of properties valued by the valuer has resulted in a net decrease of £5.2m. Management have considered the year end value of non-valued properties in consultation with the valuer. Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5.</p> <p>Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued in year using an indexation approach to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p>	<ul style="list-style-type: none"> <li>The Council carries out a rolling programme that ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by qualified Royal Institution of Chartered Surveyors (RICS) Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.</li> <li>Valuation is carried out on a selective on-going basis such that all assets are revalued at least once every five years, and on completion of a capital scheme above £100,000. In addition the top twenty valued assets are valued each year.</li> <li>There is a material uncertainty disclosed in the asset valuation report given the impact of Covid-19. We have therefore include an emphasis of matter in our audit opinion to reflect this material uncertainty disclosed in the valuation report and the financial statements.</li> </ul> <p>We are currently completing our audit procedures in this area and will update for any further findings as required to committee members.</p>	

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key estimates and judgements - Council

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
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**Net pension liability – £607m**

The Council’s net pension liability at 31 March 2020 is £607m (PY £742m) comprising the Leicestershire County Council Pension Local Government scheme. The Council uses Hyman Robertson to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £173m net actuarial gain/ during 2019/20.

- Hyman Robertson, an external actuary firm, provide actuarial advice to the Council via the Leicestershire Pension Fund. As such, this involves providing the Council with an actuarial valuation of the pension expense calculations. The scope of the work is to undertake pension expense calculations, as instructed by the Administering Authority, for the Council, for the purposes of complying with IAS 19 (Employee Benefits) for the accounting period.
- PwC are employed by the NAO on behalf of external audit suppliers to local government to provide support to auditors when assessing the competence and objectivity of actuaries producing IAS 19 figures in respect of the Local Government Pension Scheme (LGPS). Hyman Robertson have carried out a roll forward approach from previous actuarial valuation to allocate assets and liabilities between employers at triennial valuation


Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.3%	2.3%	●
Pension increase rate	1.9%	1.8%-2.00%	●
Salary growth	2.4%	1.8%-2.9%	●
Life expectancy – Males currently aged 45 / 65 (years)	22.2	21.6-23.3	●
Life expectancy – Females currently aged 45 / 65 (years)	25.2	24.6 - 26.3	●

- The pension fund financial statements have included a material uncertainty due to Covid-19 over the valuation of directly held properties of £99.6m as a result we have included an emphasis of matter in the Council’s audit opinion. Given the Councils share of these assets is material, we will include an emphasis of matter in our audit opinion for the Council too

We are currently completing our audit procedures in this area and will update for any further findings as required to committee members.

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# Significant findings – key estimates and judgements – Pension Fund

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Level 3 investments</b>	<p>The Pension Fund has investments in unlisted shares, private equity funds and property which in total are valued on the balance sheet as at 31 March 2020 at £1,695m. These investments are not traded on an open market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management use fund managers who value within industry accepted guidelines. The value of the investment has increased by £327m in 2019/20.</p> <p>Included in the Level 3 investments are Direct Properties valued at £99.6m. The valuation report supporting the valuation of land and buildings has reported a material uncertainty, based on RICS guidance, as a result of Covid-19.</p>	<ul style="list-style-type: none"> <li>The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.</li> <li>The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.</li> <li>There is a material uncertainty disclosed in the asset valuation report for Direct Property given the impact of Covid-19. We have requested that the Pension Fund accounts show this material uncertainty in their estimates and material uncertainty disclosure.</li> <li>We will include an emphasis of matter in our audit opinion to reflect this material uncertainty disclosed in the valuation report and the financial statements.</li> </ul> <p>We are currently completing our audit procedures in this area and will update for any further findings as required to committee members</p>	

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Going concern - Council

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

## Going Concern Commentary

### Management's assessment process

Management have carried out a written assessment which confirms:

- The Council have taken into account the impact of Covid-19 and other events in their assessment of Going Concern are satisfied that there is no material uncertainty to cast significant doubt on the Council’s ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date.
- The Council has a firmly embedded financial planning process which includes a rolling four year medium term financial plan, which is updated twice per year. The Council has assessed the impact of Covid-19 in its plans.

### Auditor commentary

CIPFA Code of Practice 2019/20 Code para 3.4.2.23 states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future".

The presumption in local government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as:

- announcement to wind up the authority
- failure to set a balanced budget
- external assessment concludes unsustainable
- financial plans show unable to meet obligations for foreseeable future
- significant doubts over forward financial planning arrangements.

The Covid-19 pandemic has had a limited impact so far on the Council’s finances and the Council anticipates a in year net overspend on its revenue budget for 2020/21 of £7m, to be funded from a contribution from reserves. Covid-19 will continue to have an impact on the Councils finances in forthcoming years, with a continuing high level of uncertainty. The Council is assessing the position as part of refreshing its 4-year MTFs to ensure services are delivered.

Management’s assessment has considered these areas and concluded that there is no material uncertainty in respect of going concern. The Council’s medium-term plan demonstrates that savings are required over the period of the medium-term financial plan, and there is an efficiency and rationalisation programme to meet these challenges.

As such we consider that the assessment undertaken by the Council on going concern is a reasonable and valid one and there are no indications of material uncertainty.

### Work performed

We have reviewed management’s assessment and compared it with our knowledge of the Councils current financial position and its projections.

Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption.

We have reviewed the estimates and assumptions made in the medium term financial plan and have deemed these to be reasonable and in line with the environment the Council works in.

### Concluding comments

We are satisfied that there is no material uncertainty in the operations of the Council which would effect its ability to operate as a going concern.

# Going concern – Pension Fund

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary - Council

### Management's assessment process

Management have responded to the questions we set out on going concern in our “Informing the Audit Risk Assessment” document which confirms:

- There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the pension funds ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date

### Auditor commentary

Management's assessment has considered the applicable guidance relating to public sector bodies which presumes in local government is that the going concern assumption does apply unless there is specific evidence to the contrary. Management assessment has concluded that no material uncertainty in respect of going concern exists.

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £4,312 million, were sufficient to meet 89% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £537 million. Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

As such we consider that the assessment undertaken by the Authority on going concern is a reasonable and valid and there are no indications of material uncertainty.

### Work performed

We reviewed management's assessment by:

- Ensuring the assessment concurred with our knowledge of the Pension Fund
- Reviewing the Actuarial Position

### Auditor commentary

- The Council's actuary, Hymans Robertson LLP completed the last triennial actuarial valuation as at 31 March 2019 and we are satisfied that the Fund's assets were sufficient to meet approximately 89% of the liabilities accrued up to that date.

### Concluding comments

### Auditor commentary

- We did not identify any events or conditions during the course of our audit that casted any significant doubt on the pension fund's ability to continue as a going concern.
- There is no impact on our audit opinion which is unmodified in relation to Going Concern

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
①	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures</li> </ul>
②	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed</li> </ul>
③	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
④	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
⑤	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send requests to confirm year end bank and investment balances. This permission was granted and the requests were sent, and all received to confirm year end balances.</li> </ul>
⑥	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
⑦	<b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All supporting documentation was provided to the audit team to support their conclusions.</li> </ul>



# Other responsibilities under the Code

Issue	Commentary
<p><b>Other information</b></p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – see appendix D</p>
<p><b>Matters on which we report by exception</b></p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters</p>
<p><b>Specified procedures for Whole of Government Accounts</b></p>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>Note that work is not yet completed and the planned timescale for the work is to be completed in December 2020</p>
<p><b>Certification of the closure of the audit</b></p>	<p>We are unable to certify the closure of the 2019/20 audit of Leicestershire Council until the audit procedures over WGA are completed.</p>

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# Value for Money

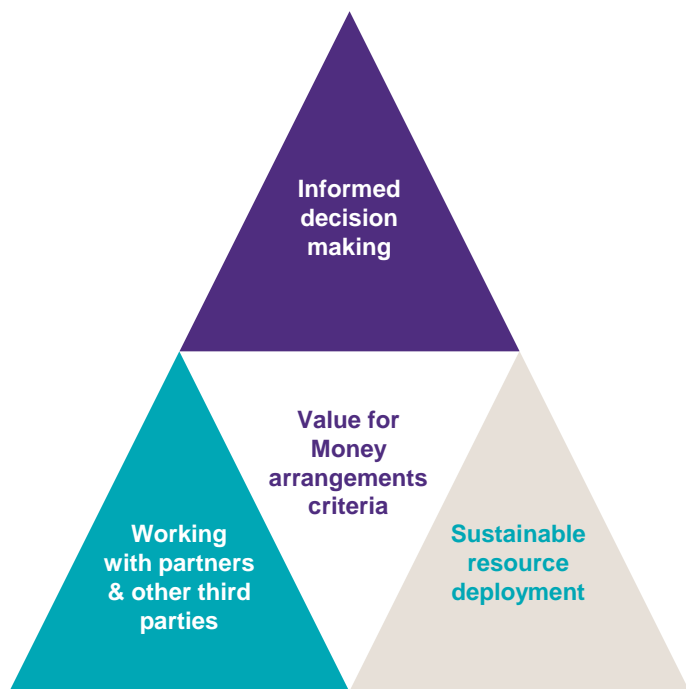
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2020 and then revisited this in April 2020 in the light of the emergence of Covid-19. We identified a significant risks in relation to financial resilience, and communicated this risks to you in our audit plan addendum dated 29 April 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the Council's arrangements for financial planning and delivery as a result of the impact of Covid-19

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on page 19.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

## Significant difficulties in undertaking our work

We did not encounter any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p><b>Covid-19 - Financial Sustainability</b></p>	<p>We have reviewed the financial outturn for the year ending 31 March 2020 and noted that there has been a net overspending of £3.3m, which has been offset by a reduction to the level of revenue funding of capital in 2019/20. This is similar to the amount that was anticipated and adjusted for within the refresh of the Medium Term Financial Strategy for 2020-24. Covid-19 did not have a significant impact on the Council's finances for the year ending 31 March 2020</p> <p>The Councils current estimate of net additional costs due to Covid-19 for 2020/21 is £12m after government grant support. The position has improved since the last report to the Cabinet in September 2020 which reported a net estimated cost of £18m.</p> <p>As at month 6 of 2020/21, the Council is reporting a net overspend of £7.4m for the year. This is estimated to comprise net additional costs due to Covid-19 of £12m and non Covid-19 related underspends of £4.6m. The Council has a healthy general fund position and therefore in the short term is able to meet any shortfalls to deliver a balanced budget if required.</p> <p>Before Covid-19, the 2020-24 MTFS savings requirements totalled £80m, with £39m of savings to be identified. The impact of Covid-19 now shows a predicted savings requirement of £100m across the 3 year period covering 2021/22, 2022/23 and 2023/24, with gaps of £20m, £30m, and £50m currently identified. However, this does not take into account the impact of any changes or increases in government funding in the period</p> <p>The impact of the increased savings requirement is an area of focus for the Council, and they are developing strategies to deal with the forthcoming cost pressures. To balance the budget without a significant impact on services will require a major efficiency initiative and increased government funding.</p>	<p>The Council's financial outturn for 31 March 2020 was in line with expectations and there was limited impact from Covid-19. The Council now like all other local authorities is reacting to the impact of Covid-19 on its service delivery and is facing financial pressures as a result for 2020/21 and is predicting an overspend against budget, even after the support of government funding. However we are satisfied in the short term the Council's general fund balance can mitigate the impact of any shortfalls.</p> <p>Over the medium term, the Council will have to look at how it balances its budget and identify savings, with a need for transformation in some areas of service delivery. The medium term position is uncertain, with much of the uncertainty stemming from the lack of clarity over the impact of central government funding in future years. However, the Council has gone into this uncertain period in a healthier position than many county councils and has strong financial planning arrangements in place.</p> <p>Overall, we are satisfied that the Council has arrangements in place to monitor its financial position for the short term, and has appropriate level of general reserves to mitigate any shortfalls if required. The Council has arrangements in place to monitor its finances in the medium term and refreshes its savings plans as required. We are therefore satisfied that they are no material weaknesses in the Council's arrangements.</p>

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# Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we disclose the following to you:

A key member of the audit team has disclosed that her husband is a contributing member of the Leicestershire County Council Pension Fund. As discussed and agreed with management, as a result of the strengthening of Grant Thornton's guidance in this area, this is now deemed to be a threat to independence and she will no longer have any input to the audit of the pension fund in the next year. We have ensured that all of her audit work on the Pension Fund this year has been reviewed by the Senior Manager to mitigate any threat to independence and we have reminded her with regards to confidentiality. Given the nature of the Fund (defined benefit), however, we are satisfied that the risk to our independence is very small.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are in Appendix C

# Independence and ethics

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 25 November 2020, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.



	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Teachers Pension Return - Council	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £71,102 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
IAS 19 Assurance Statements – Pension Fund	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £25,530 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

## Audit and Non-audit services




For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified.

# Action plan

We have identified 2 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p> <b>Low</b></p>	<p><b>School Bank Reconciliations not carried out on the 31 March 2020</b></p> <p>Our audit testing of Note 24 Cash and Cash Equivalents found that there were a few schools who completed their bank reconciliations before the year end of 31 March 2020, and there were some trivial differences between what they reported in their reconciliation compared to the year end position.</p>	<p>The Council should require all schools to complete their bank reconciliations as at 31 March (or as close as possible) in future years, to be in line with the reporting year end of the Council.</p>
<p> <b>High</b></p>	<p>Information Technology Audit</p> <p>Our IT specialist auditors have completed a range of procedures over the Councils IT general controls and have noted several weaknesses in the following areas;</p> <ul style="list-style-type: none"> <li>• System administrator staff self-assigning responsibilities in Oracle without approval or subsequent timely removal</li> <li>• Critical segregation of duties (SoD) conflict between Oracle system administration and finance / developer responsibilities</li> <li>• Generic / built in Oracle account with additional responsibilities assigned and the ability to bypass workflows</li> <li>• Generic system administration accounts with a lack of monitoring of user activity</li> <li>• Users with access to Oracle functions that allow workflows to be bypassed</li> <li>• Users with Oracle access that allow high risk activity to occur (Critical Security Functions and SQL Injection)</li> </ul>	<p>The Council should address the deficiencies identified by our IT specialist auditors and act upon their recommendations. Our IT specialist auditors have provided management with a detailed report on the weaknesses and recommendations, which management have responded to and are addressing in the move to the Fusion Cloud Platform.</p>

**Controls**

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 20 Financial Instruments	The financial assets carrying amount in note 20 is understated, The value is shown as £185.8m but should be £237.4m, to include cash and all investments.	We have recommended that the Council update their disclosure in Note 20 to ensure all financial assets are included in their financial instrument disclosure	✓

# Fees

We set out below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees</b>	<b>Original scale fee</b>	<b>Planned fee</b>	<b>Final fee</b>
Council Audit	59,252	71,102	81,767
Pension Fund Audit	21,820	25,530	29,360

At the time of planning the audit, we agreed additional fees over and above the scale fee due to the increased work required of us to meet our regulators' increased expectations, particularly around asset valuations, the Pension Fund liability (in the Council's accounts) and valuation of hard-to-value investments (PF accounts).

We are now proposing a further 15% increase in fees due to the impact of Covid-19 on the financial statements audit. Remote working has significantly impacted on the efficiency of our audit work, because communication between our team and Council officers, particularly at a more informal level, is more difficult, and we have had to perform additional procedures to confirm the authenticity of information being provided to us remotely. We have had to deploy considerable additional resources in order to deliver audits, with the 15% increase we are asking for only covering a proportion of those additional costs as we consider it appropriate for us to also meet a significant proportion of these costs.

The proposed fees reconcile to the financial statements. The final fee is subject to confirmation from PSAA and is not accrued in the 2019/20 financial statements.

We have also undertaken the following non-audit related services for the Council and Pension Fund.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Teachers Pension Certification (Council)	£5,000	£5,000
IAS 19 Assurance letters (Pension Fund)	£6,000	£6,000

Please noted the IAS 19 related costs are not included in the External Audit fee for the pension fund, as these costs are recharged to admitted bodies in the pension fund whose auditors require assurance letters.



# Audit opinion

**We anticipate we will provide the Council with an unmodified audit report including and Emphasis of Matter**

## Independent auditor's report to the members of Leicestershire County Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Leicestershire County Council (the 'Authority') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements and Policies and Judgements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Corporate Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

# Audit opinion

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

## Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in note 5 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

## Other information

The Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement and the Annual Report, other than the financial statements and, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Director of Corporate Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities on page 86, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources. The Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Audit opinion

In preparing the financial statements, the Director of Corporate Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Corporate Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2020. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Gregory, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

# Audit opinion

**We anticipate we will provide the Pension Fund with an unmodified audit report including and Emphasis of Matter**

## **Independent auditor's report to the members of Leicestershire County Council on the pension fund financial statements of Leicestershire County Council Pension Fund**

### **Opinion**

We have audited the financial statements of Leicestershire County Council Pension Fund (the 'pension fund') administered by Leicestershire County Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **The impact of macro-economic uncertainties on our audit**

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Corporate Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

# Audit opinion

## Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

## Other information

The Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Director of Corporate Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities on pages 119 to 120 the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources. The Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Corporate Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Corporate Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of

# Audit opinion

assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[\[Signature\]](#)

John Gregory, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

**30 November 2020**



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## APPENDIX B



Grant Thornton UK LLP  
 The Colmore Building  
 20 Colmore Circus  
 Birmingham  
 B4 6AT

Date: 25 November 2020  
 My Ref:  
 Your  
 Ref:  
 Contact: Chris Tambini  
 Phone: 0116 3056199  
 Fax:  
 Email: Chris.Tambini@leics.gov.uk

Dear Grant Thornton,

**Leicestershire County Council  
 Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Leicestershire County Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

**Corporate Resources**

Leicestershire County Council, County Hall, Glenfield, Leicestershire LE3 8RB  
 Email: [resources@leics.gov.uk](mailto:resources@leics.gov.uk)

Chris Tambini, Director of Corporate Resources

[www.leics.gov.uk](http://www.leics.gov.uk)

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

**Information Provided**

- xiv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Corporate Governance Committee at its meeting on 25 November 2020.

Yours sincerely

Chris Tambini  
Director of Corporate Resources, Leicestershire County Council  
25 November 2020

Chairman of the Corporate Governance Committee  
25 November 2020

(Signed on behalf of the Corporate Governance Committee)



Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT

Date: 25 November 2020  
My Ref:  
Your  
Ref:  
Contact: Chris Tambini  
Phone: 0116 3056199  
Fax:  
Email: Chris.Tambini@leics.gov.uk

Dear Grant Thornton,

**Leicestershire County Council – Pension Fund  
Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of the Leicestershire County Council Pension Fund for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

**Corporate Resources**

Leicestershire County Council, County Hall, Glenfield, Leicestershire LE3 8RB  
Email: [resources@leics.gov.uk](mailto:resources@leics.gov.uk)

Chris Tambini, Director of Corporate Resources

[www.leics.gov.uk](http://www.leics.gov.uk)

- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

#### **Information Provided**

- xiii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.

- xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xx. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Councils Corporate Governance Committee at its meeting on 25 November 2020.

Yours sincerely

Chris Tambini  
Director of Corporate Resources, Leicestershire County Council  
25 November 2020

Chairman of the Corporate Governance Committee  
25 November 2020

(Signed on behalf of Leicestershire County Council as administering body of the Leicestershire County Council Pension Fund)

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# Annual Governance Statement (AGS) 2019/20

## 1. INTRODUCTION

Leicestershire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with prevailing legislation, regulation and government guidance and that proper standards of stewardship, conduct, probity and professional competence are set and adhered to by all those representing and working for and with the Council. This ensures that the services provided to the people of Leicestershire are properly administered and delivered economically, efficiently and effectively. In discharging this responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs.

Regulations 6 (1)(a) and (b) of the Accounts and Audit Regulations 2015 require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control. The preparation and publication of an AGS in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' (2016) fulfils the statutory requirement of the Accounts and Audit Regulations. The AGS encompasses the governance system that applied in both the Authority and any significant group entities (e.g. ESPO, EMSS) during the financial year being reported.

In anticipation of the potential disruption to relevant authorities caused by the spread of coronavirus (COVID -19), The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the 2015 Regulations to extend the deadlines for relevant authorities to publish and make available for public inspection, their annual accounts and supporting documents in relation to the financial year beginning on 1st April 2019. The draft AGS 2019/20 was published with the draft Statement of Accounts in July 2020. This final version will accompany the published Statement of Accounts signed by the Director of Corporate Resources, the Council's responsible financial officer.

## 2. WHAT IS CORPORATE GOVERNANCE?

Corporate Governance is defined as how organisations ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The Council's governance framework comprises the systems and processes, cultures and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (the Framework)', sets the standard for local authority governance in the UK.

The Framework helps local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

### 3. LEICESTERSHIRE VISION AND OUTCOMES

In December 2017, the Council agreed a new four-year Strategic Plan and Outcomes Framework to run from April 2018 to March 2022. The Council developed the Plan by focussing on what would make life better for people in Leicestershire and the Plan included the following five priority outcome themes:

<b>Our Vision: Working together for the benefit of everyone</b>				
<b>Strong Economy</b>	<b>Wellbeing and Opportunity</b>	<b>Keeping People Safe</b>	<b>Great Communities</b>	<b>Affordable and Quality Homes</b>
Leicestershire's economy is growing and resilient so that people and businesses can fulfil their potential.	The people of Leicestershire have the opportunities and support they need to take control of their health and wellbeing.	People in Leicestershire are safe and protected from harm	Leicestershire communities are thriving and integrated places where people help and support each other and take pride in their local area.	Leicestershire has a choice of quality homes that people can afford.

The five priority outcome themes encompass a number of supporting outcomes which together form the overall Single Outcomes Framework which sets clear priorities for the Authority and enables more effective deployment and targeting of its resources. The Annual Delivery Report and Performance Compendium (published November 2019) included an assessment of progress in relation to the Outcomes Framework.: <https://www.leicestershire.gov.uk/about-the-council/how-the-council-works/leader-and-cabinet/council-performance>

The Annual Delivery Report outlined the delivery, progress with implementing agreed plans and strategies, and achievements over the previous 12 months. The Performance Compendium outlined the inequality in funding and the Council's Fair Funding proposals, transformation requirements and national and local service pressures.

The Council's revised Strategic Plan was approved in May 2020. The revision is an interim measure to reflect the Council's resolution (May 2019) to declare a climate emergency.

A long-term vision for the area and strategies to define the Council's role in meeting the emerging challenges post-COVID-19 will need to be developed at a later date when the situation is stable, and the impacts are more fully understood.

The Recovery Strategy which has been approved by Members has two key aims; to aid short-term recovery of services following lockdown, and also to support services to move to better ways of working and new efficient models of delivery in the long term. As part of the Recovery Strategy Members noted that given the significant impact of COVID-19 there would need to be a review of the Council's Medium-Term Financial Strategy and the Strategic Plan 2018-22.

### 4. WHAT THE AGS TELLS YOU

The AGS provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any developments required. The main aim of the AGS is to provide the reader with confidence that the Council has an effective system of internal control that manages risks to a reasonable level.

It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The revised CIPFA/SOLACE Framework requires local authorities to review arrangements against their Local Code of Corporate Governance. To ensure it is consistent with the seven core principles of the Framework, the Council's Local Code was revised and updated during 2019 and was approved by the Council at its meeting on 25 September 2019.

<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2020/1/16/local-code-of-corporate-governance.pdf>

The principles contained in the Framework have been applied to the preparation of the AGS for the financial year 2019/20.

The 2019/20 AGS has been constructed by undertaking: -

- A review of the effectiveness of the system of internal control
- Reviewing other forms of assurance
- Reviewing the Council's response to (and planned recovery from) the COVID-19 virus

## 5. REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

There is a statutory requirement in England, for a local authority to ensure that it has a sound system of internal control which: -

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The authority must (each financial year): -

- (a) conduct a review of the effectiveness of the system of internal control, and,
- (b) prepare an annual governance statement;

To ensure the 2019/20 AGS presents an accurate picture of governance arrangements for the whole Council, each Director was required to complete a 'self-assessment', which provided details of the measures in place within their department to ensure conformance (or otherwise) with the seven core principles of the Framework. **The AGS assesses governance in place during 2019/20, the Council's self-assessments were completed in early March 2020 and therefore the majority of the year was unaffected by the COVID-19 national emergency.**

The self-assessments contained a set of conformance statements under each core principle, which required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria – Refer to Appendix 1.

The application of a quantitative approach to assessing conformance against the Framework allows the Corporate Management Team, Members and the public at large to obtain assurance that the Council operates within an adequate governance framework, thus complying with the seven core principles and best practice. In addition to the Directors' self-assessments, senior officers assessed arrangements for managing matters that apply across all departments. Whilst the self - assessments identified many sources of assurance and were transparent in reporting areas for action, a table in Appendix 1 includes key areas where further development is deemed necessary.

A senior officers group with responsibility for co-ordinating the 2019/20 AGS has determined that progressing areas identified for development against each principle above, should be the responsibility of designated Directors and Heads of Service during 2020/21.

The group comprises

- Director of Law & Governance (the Council's Statutory Monitoring Officer)
- Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
- Head of Democratic Services
- Assistant Chief Executive
- Assistant Director – Strategic Finance & Property
- Head of Internal Audit & Assurance Service

**Note:** Follow up on progressing the implementation of 2018/19 developments was undertaken in December 2019. Any 2018/19 developments that were not carried forward into 2019/20 or reported through the Corporate Risk Register process will continue to be monitored.

## 6. OTHER FORMS OF ASSURANCE

The Framework provides examples of documents, systems and processes that an authority should have in place. Using this guidance, the Council can provide assurance that it has effective governance arrangements. The Council has an approved Local Code of Corporate Governance and this provides examples of good governance in practice.

### The Control Environment of Leicestershire County Council

The Council's Constitution includes Finance and Contract Procedure Rules and Schemes of Delegation to Chief Officers. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Council.

#### Internal Audit Service

The Council's Head of Internal Audit Service (HoIAS) ensures that internal audit arrangements conform to the requirements of the Public Sector Internal Audit Standards (the PSIAS) revised in 2017 and the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019).

The HoIAS works with key members of the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the Council's control environment.

There is an Internal Audit Charter mandating the purpose, authority and responsibility of the internal audit activity. The Charter allows the HoIAS to also be responsible for the administration and development of, and reporting on, the Council's risk management framework. Whilst this does present a potential impairment to independence and objectivity, the HoIAS arranges for any reviews to be overseen by someone outside of the internal audit activity. An independent risk management maturity health check was undertaken during the autumn of 2018 and good progress was made during 2019/20 against the recommendations contained in the action plan.

To meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of the Council's control environment i.e. its framework of governance, risk management and control, the HoIAS arranges an annual risk-based plan of audits. Given the overall robustness of risk management at the Council, the plan is primarily based on the contents of the corporate and departmental risk registers to ensure current and emerging risks are adequately covered. A contingency is retained for unforeseen risks, special projects and investigations.

Internal Audit reports often contain recommendations for improvements. The number, type and importance of recommendations affects how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined sum of individual audit opinions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other assurance providers), facilitate the HoIAS to form the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework (i.e. the control environment).

In his annual report to the Corporate Governance Committee on 12 June 2020 <http://politics.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=6287&Ver=4>, the HoIAS overall opinion for 2019/20 was: -

**Prior to the onset of the virus, the Council's control environment was in a steady state. The build-up and immediate impact of the coronavirus was significant, of adverse nature and unique in character. However, no significant governance, risk management or internal control failings have come to the HoIAS' attention therefore reasonable assurance is given that the Council's control environment overall has remained adequate and effective.**

Specifically, for 2019-20, the HoIAS' views on the Council's responses to the coronavirus during the months of February and March 2020 are also detailed.

## Risk Management

The Corporate Governance Committee has a responsibility to ensure that an effective risk management system is in place. Risk management is about identifying and managing risks effectively, helping to improve performance and aid decision making relating to the development of services and the transformation of the wider organisation. Regular reports and presentations on specific strategic and corporate risks to the Council are provided to the Corporate Governance Committee.

The Council's Risk Management Policy and Strategy (which provide the framework within which risks can be managed) were reviewed, revised and approved by Cabinet in February 2020.

As the Council's COVID-19 response continues, the Council is fast progressing its plans to recover and rebuild services. It is recognised that there will be a period of transition, with phased steps towards the 'new normal'. In the interim the existing risk management arrangements have been aligned to the interim recovery planning principles.

## Overview and Scrutiny

The cross-party overview and scrutiny function monitors the County Council's financial performance and performance against targets in the Strategic Plan and other related plans on a quarterly basis.

The key areas of activities undertaken during the year included: -

- Review of the County Council's proposals for a unitary structure of local government for Leicestershire
- The Strategic Growth Plan and the bid to the Housing Infrastructure Fund.
- The capital investment plan for adult social care accommodation-based support services
- Progress against the Ofsted Continuous Improvement Action Plan,
- The revised Environment Strategy.
- The provision of community health services in both Ashby and the Hinckley and Bosworth area.

- The impact of winter on the health service and
- Number of initiatives led by the Director of Public Health including the new model for an integrated lifestyle service, the suicide prevention programme and the 'RUOK Today?' programme.

Task and finish groups were set up to undertake in depth reviews of Corporate Parenting and member engagement with Multi Academy Trusts.

### Corporate Governance Committee

The Corporate Governance Committee is responsible for promoting and maintaining high standards of corporate governance within the Council and receives reports and presentations that deal with issues that are paramount to good governance.

With regard to the promotion and maintenance of high standards of conduct by members and co-opted members within the County Council – decisions and minutes are available on the intranet. The Monitoring Officer submits an annual report to the Corporate Governance Committee on the operation of the Members' Code of Conduct and arrangements for dealing with complaints. Four complaints were received, 2 were withdrawn and 2 did not meet the threshold for further investigation.

During 2019/20 the Committee has provided assurance that: an adequate risk management framework is in place; the Council's performance is properly monitored; and that there is proper oversight of the financial reporting processes. The table below provides summary information of other key business considered by this Committee during 2019/20 to support the above.

- Quarterly Risk Management Updates and the Risk Management Policy & Strategy, Independent Risk Management Health Check Report
- Informing the External Audit Risk Assessment External Audit Plan, Statement of Accounts, Pension Fund Accounts and Annual Governance Statement 2018/19
- Quarterly Treasury Management updates and Annual Treasury Management Report 2018/19. Treasury Management Strategy Statement and Annual Investment Strategy 2020/21
- Internal Audit Service – Annual Plan, quarterly progress reports including status of High Importance recommendations; Annual Report, including opinion on the control environment, conformance to PSIAS and Quality Assurance Improvement Programme;
- Government driven Developments in Audit and Governance including an update on position
- Local Government and Social Care Ombudsman Annual Review 2018-19 and Corporate Complaint Handling and Freedom of Information Requests
- Committee on Standards in Public Life
- Local Code of Corporate Governance
- Annual Reports:
  - Update to the Contract Procedure Rules and Financial Procedure Rules
  - Clinical Governance Annual Report
  - Resilience and Business Continuity Update
  - Regulation of Investigatory Powers Act 2000 (RIPA)

### The Chief Financial Officer (CFO)

The Director of Corporate Resources undertakes the statutory role of the Chief Financial Officer (CFO) for the Council. The CFO conforms to the governance requirements and core responsibilities of two CIPFA Statements on the Role of the Chief Financial Officer; in Local Government (2016) and in the Local Government Pension Scheme (2014). The CFO is a key member of the Corporate Management Team and is able to bring influence to bear on all material business decisions, ensuring that immediate and long-term implications, opportunities and risks, are fully considered and in alignment with the MTFs and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management across the Council.

The Director of Corporate Resources managed the approved budget during 2019/20 in line with normal requirements. Nevertheless, he recognised during the early stages of planning for the virus response that the Council's finances would be significantly affected for the latter part of the year and increasingly so into 2020/21 and beyond. The Director instigated short term/emergency measures to mitigate the COVID -19 impacts on finances. More detail is provided in the Narrative Report section of the Council's Financial Statements.

### The Monitoring Officer

The Director of Law & Governance undertakes the statutory role of Monitoring Officer (MO) for the Council. The MO has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the MO any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Council and/or Executive accordingly,
- ensuring that decisions taken are in accordance with the Council's budget and its Policy Framework,
- providing advice on the scope of powers and authority to take decisions

In discharging this role, the MO is supported by officers within the Legal and Democratic Services Teams.

### Senior Information Risk Owner

The Assistant Director - Corporate Services undertakes the role of Senior Information Risk Owner (SIRO) for the Council. The SIRO takes overall ownership of the Council's approach to handling information risk. Sound governance is in place, with regular update and exception reports to the Corporate Management Team. The responsibilities of a SIRO include:

- owning the Council's policies, procedures and processes around information risk, ensuring they are implemented consistently across the Council;
- ensuring compliance with all other policies and procedures relating to information and data;
- acting as a champion on information risk and report to Chief Officers on the effectiveness of risk management;
- leading and fostering a culture that values, protects and uses information for the success of the Council and benefit of our citizens;
- ensuring that information owners understand their roles;
- ensuring that the Council has a plan to monitor and improve information and data governance;
- maintaining expertise in Data Protection and other legislation that impact on Information and Data Governance; and
- owning the Council's information incident management framework

## Commercial and Collaborative Arrangements

### Commercial

**ESPO** is constituted as a joint committee (of 6 local authorities) set up to provide a comprehensive professional purchasing service to public sector bodies. It is overseen by a Management Committee which has overall strategic responsibility for ESPO. There is also a Finance and Audit Subcommittee in place. Internal audit is undertaken by the Council's Internal Audit Service as part of the servicing agreement. Similar to the County Council, the HoIAS presents an annual report to the Management Committee. The annual report incorporates the annual internal audit opinion, which for 2019-20 was positive. The HoIAS also commented positively on ESPO management's response to the coronavirus. Although not required to do so an external audit is also undertaken.

**ESPO Trading Ltd** ESPO's power to trade is restricted to a limited number of public bodies and this market is shrinking. The establishment of a trading company allows ESPO (Trading) to trade with other organisations which are in the spirit of public bodies but not described as such in the 1970 Act – e.g. Housing Associations, Charities and Voluntary Organisations. The Trading is governed under the Companies Act 2006, its Articles of Association and Shareholder Agreement.

**Eduzone** was a Private limited company that supplies Early Years educational products and Early Years furniture to schools, nurseries and child minders. ESPO acquired the company following the necessary due diligence in 2018. Eduzone has now be incorporated into ESPO trading Limited.

The **Corporate Asset Investment Fund Strategy** guides the Council's investments in assets not directly involved in the delivery of its services. The Strategy requires reporting to various member bodies. Reporting on the financial performance is included in the budget monitoring reports, on a quarterly basis.

The Council also has a trading arm **Leicestershire Traded Services (LTS)**, which sits within the Corporate Resources Department. Its activities are overseen by an Officer Board and the current Medium-Term Financial Strategy assumes an income of £2.7 million from traded services. The quarterly financial and performance reports includes the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies.

### Collaborative

**East Midlands Shared Service (EMSS)** EMSS is constituted under Joint Committee arrangements to process payroll/HR and accounts payable and accounts receivable transactions for Leicestershire County Council and Nottingham City Council. The internal audit of EMSS is undertaken by Nottingham City Council.

On the basis of audit work undertaken during the 2019-20 financial year, covering financial systems, risk and governance, the Head of Internal Audit (HoIA) at Nottingham City Council concluded that a “**significant**” level of assurance could be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered.

### **Local Government Pension Scheme (LGPS) - Central Pool.**

The LGPS Central pooled investment arrangements became operational on 1 April 2018. A range of collaborative governance vehicles has been established.

The Council is joint owner of LGPS Central Limited which manages the pooled assets of nine Midlands-based local government pension schemes, including Leicestershire. LGPS Central Limited is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. It has combined assets of approximately £40bn which represents the assets of over 2,000 employing bodies which help to pay for the costs of pensions when they became payable.



The Company aims to use the combined buying power of its Partner Funds to reduce costs, improve investment returns and widen the range of available asset classes for investment for the benefit of local government pensioners, employees and employers.

Representatives of each of the funds sit on the LGPS Central Joint Committee which provides oversight of the delivery of the objectives of the pool, the delivery of client service, the delivery against the LGPS central business case and to deal with common investor issues. The joint committee provides assistance, guidance and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The joint committee does not have delegated authority to make binding decisions on behalf of the participating councils.

Staffordshire County Council Internal Audit Service is leading a co-ordinated and collaborative approach in relation to developing assurance over the pooling arrangements operating within LGPS Central. This involves consultation with all Partner Fund's internal audit functions (including Leicestershire County Council), External Audit Partners, the Practitioners Advisory Forum and LGPS Central. An assurance framework has been established and agreed with audit work planned. At its meeting on 5 July 2019, the Local Pensions Committee was advised about the Pensions Assurance Framework (compiled using the Pool's Risk Register) and the draft Internal Audit Approach which contained a four-year cyclical programme of audits.

As part of the collaborative work, West Midlands Internal Audit Service commenced an audit of investment risks early in 2020, unfortunately, due to the current situation, it has been difficult to progress, resulting in some delays. A draft report, with limited scope, detail and testing is planned to be produced mid-July. In addition to this, two separate audits were completed, with an internal focus on LGPS Central Limited (Investment Fees and Local Governance and Financial Reporting arrangements). Both were concluded with 'substantial' assurance.

### **Leicestershire and Rutland Sports Partnership (LRS)**

The Director of Public Health represents the Council and is vice-chair of the LRS Board of non-executive directors. There are defined terms of reference which set out the governance arrangements and key tasks of the Board. Underneath the Board is a number of sub groups (drawn from the Board and co-opted others) to provide additional scrutiny of areas of the business.

One of those sub-groups in the 'business, oversight and audit' committee which oversees business planning, financial and risk reporting and reports to the Board quarterly.

### **Leicester and Leicestershire Enterprise Partnership (LLEP)**

The Leader of the Council is a Director of the LLEP and a member of its Board. The LLEP Executive and sub-boards have Council representation. In April 2020, the Ministry of Housing, Communities & Local Government (MHCLG) informed the LLEP of its performance rating for 2019-20. On Governance the LLEP was considered to be good, and on Delivery it was rated as exceptional. On Strategic Impact the LLEP was previously judged as requiring improvement but for 2019-20 MHCLG indicated that the required improvements had been made.

The LLEP Board underwent 'incorporation' in the last 12 months, in response to Government guidance, and is currently carrying out a Governance Review. At its meeting on 2 June 2020, the LLEP Board considered an update on progress with this review and firm recommendations for a new Governance structure, with proposed terms of reference for new sub-Boards and groups, will be considered at its meeting on 7 July 2020. An outstanding (indeed longstanding) Governance issue relates to the deployment of retained Enterprise Zone business rates and this remains a matter of negotiation between the LLEP, its accountable body (Leicester City Council) and the two district councils which have Enterprise Zones within their administrative boundaries.

Good progress has been made in reaching agreement with local authority partners on the use of the Business Rates Pool.

## Leicestershire Health and Wellbeing Board

The Lead Members for adults and children and families, its Chief Executive and appropriate Directors are the County Council's representatives on the Leicestershire Health and Wellbeing Board (the Board) which is chaired by the Council's cabinet lead on Health & Wellbeing. The Board is made up of local councillors, GPs, health and social care officials and representatives of patients and the public. The Board was set up to lead and direct work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services. It: -

- Identifies needs and priorities across Leicestershire and publishes and refreshes the Leicestershire Joint Strategic Needs Assessment (JSNA) so that future commissioning/policy decisions and priorities are based on evidence.
- Prepares and publishes a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning groups so that work is done to meet the needs identified in the JSNA in a co-ordinated, planned and measurable way.
- Through its partners, communicates and engages with local people in how they can achieve the best possible quality of life and be supported to exercise choice and control over their personal health and wellbeing.
- Approves the Better Care Fund (BCF) Plan including a pooled budget used to transform local services so people are provided with better integrated care and support together with proposals for its implementation.
- Has oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services.

The BCF is reported quarterly regionally and nationally via NHS England (NHSE) and the Local Government Association (LGA) via a nationally prescribed template which is approved quarterly by the Board, a process supported operationally by the Integration Executive. The annual BCF plan is also submitted via NHSE/LGA regionally and nationally and is subject to a prescribed national assurance process against a number of national conditions, metrics and financial rules.

The work of the Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups (CCGs).

The publication of the 2020/21 BCF Policy Framework and Technical Guidance will be delayed due to Covid-19 to allow systems to focus on the effort of dealing with the pandemic. Financial allocations for the CCG minimum contribution and the improved BCF (adult social care allocation) was published in February 2019 and therefore the financial planning for 2020/21 has been completed and approved locally by the CCGs and LCC during April.

The National BCF Team has confirmed that although the BCF plan from April 2020 will not have been formally approved at a national level, systems should assume that spending from ringfenced BCF funds, particularly schemes from 2019/20 and spending on activity to address demands in community health and social care, is approved and should prioritise continuity of care, maintaining social care services and system resilience.

The Council's external auditors, Grant Thornton LLP, present the findings from their planned audit work to those charged with governance. Key conclusions reached are as follows:

- **Council's Medium-Term Financial Strategy 2018-2022 (Value for Money Conclusion)**
  - We carried out an initial risk assessment in January 2019 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated January 2019. We have continued our review of relevant documents up to the date of giving our report [June 2019] and have not identified any new significant risks where we need to perform further work.
  - Overall Conclusion: Based on the work carried out we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources
- **Opinion on the 2018/19 Annual Statement of Accounts**
  - No significant audit or accounting issues and no material deficiencies in internal control and that the Annual Statement of Accounts presented a true and fair view, in accordance with the relevant codes and regulation.
- **Annual Audit Plan for the 2019/20 Accounts**
  - The external audit plan was reported to members in January 2020 and the interim audit was completed in March 2020 - no material issues were reported. The provision of relevant information by the Internal Audit Service will assist the external auditor to determine the planned audit approach for further testing during September and October 2020 before reporting the Audit Opinion in November 2020.
- **External Audit Plan 2019/20 Update**
  - Following the outbreak of the Covid-19 virus pandemic, the External Auditor provided an update to the Audit Plan at the Corporate Governance Committee on 12 June 2020. This included a new risk on Covid-19 (financial statements and value for money) – remote working arrangements, volatility of financial and property markets, financial uncertainty, and additional disclosures required within the financial statements.

## 7. THE COUNCIL'S RESPONSE TO THE CORONAVIRUS (COVID-19)

Towards the end of 2019/20, a global pandemic was declared in connection with the COVID-19 virus. Emergency responses were triggered, and lockdown measures were introduced in the UK from 23 March 2020.

The Council's planning for COVID-19 began in early February. Business continuity plans were implemented across the Council, this also included the identification of the most vulnerable service users to ensure there was capacity to support them. Non-essential work was risk assessed and put on hold to free staff capacity to enable the Council to deploy rapid responses to ensure core services were delivered and that residents and businesses continued to be supported.

LLR Prepared which is the Local Resilience Forum (LRF) for Leicester, Leicestershire & Rutland, has statutory responsibilities arising from the Civil Contingencies Act 2004, which requires specific organisations (such as local authorities, emergency services, the NHS and others) within an area to work together to prepare for, respond to, and recover from different emergencies.

The LRF's Covid19 Strategic Co-ordinating Group (SCG) has been meeting, initially bi-weekly then weekly, since February 13<sup>th</sup>. The Council's Director of Public Health chaired the SCG until a major incident was declared locally at which point chairmanship transferred to the Deputy Chief Constable. The SCG has co-ordinated the response to COVID-19 across Leicester, Leicestershire and Rutland with increasingly preparations for recovery, including economic recovery, being given a high priority alongside the response.

The Council's Crisis Management Group (CMG), chaired by the Chief Executive, meets frequently to oversee the Council's response across key issues. Initially it met daily and now meets three times each week. CMG is supported by a corporate Resilience Planning Group (RPG) which meets four or five times a week including dedicated meetings focused on preparing for 'recovery'. The Council has worked closely with partners on a range of challenges including the supply of PPE, shielding of vulnerable people, co-ordination of volunteering, testing and tracing and excess deaths planning, and has been chairing many of the LRF cells responding to specific issues.

Electronic updates from the Chief Executive to all members of the County Council covering service and other issues are provided at least weekly; the updates can be accessed at <https://bit.ly/3cKMPgg>

Regular information has been communicated to Members, and the public. The Council also launched a Leicestershire Communities Fund 2020 of £1.5m.

Covid-19 is already having a significant adverse effect on the economy, it is also affecting the services that the Council delivers. Recognising the significant uncertainty, it is estimated that without further Government support the Council will face a significant financial gap in the current financial year. These financial implications will continue beyond the current financial year adding to the financial gap identified in the Medium-Term Financial Strategy. The impact is across the board, covering additional expenditure, increased project and capital costs, reduced income levels and required savings that are no longer achievable. The Council is taking a number of measures to ensure the impact on the financial position is minimised where possible in the immediate crisis period and medium-term recovery.

As a result of the Coronavirus, in March all attended meetings of Members and officers ceased. Regulations made under the Coronavirus Act (2020) allow authorities to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, principles of openness and accountability. By 4<sup>th</sup> April the Council was able to put in place measures to allow meetings to be held virtually. As a result of this and extending delegation to the Chief Executive (following consultation with the Leader) the decision-making process continued.

The constitutional arrangements for Member decisions in place before the COVID-19 lockdown proved to be robust and once the Government issued regulations regarding virtual meetings, it has been possible to conduct the vast majority of business including scrutiny and briefings for all Members.

Demands on IT systems and staff have been considerable, and most office-based staff will continue to work from home for the foreseeable future. Regular COVID-19 senior manager briefings continue to be provided as well as health and wellbeing support across the Council, informed by a Council wide survey. Work has also been carried out relating to returning to the workplace (recovery) and PPE staff risk assessments.

The Council has developed a Recovery Strategy outlining the strategic framework for the transition and recovery for 2021/21 service delivery in the context of the COVID-19 pandemic. Key recovery themes established and managed by the CMG:

- Infrastructure
  - Ways of Working (Workplace & Wellbeing)
  - Financial Sustainability
  - Digital Value
  - Environment & Net Carbon Neutrality
- Community – co-ordinate longer term community, and resilience response
- Economic – longer term including engagement with business, partners, and LLEP

Some areas in the county urban conurbations surrounding the city of Leicester were made subject to an extended period of local restrictions by regulations<sup>[1]</sup> which came into force on 4<sup>th</sup> July to be reviewed on 18<sup>th</sup> July. The restrictions are capable of enduring for a period of 6 months subject to review by the Secretary of state every 14 days. The restrictions affect businesses to require closure, limit the right of residents to stay away from home and limit gatherings. The restrictions will delay the recovery process in the affected areas.

**Note: As required by the Code of Practice on Local Authority Accounting in the UK 2019/20, significant events or developments relating to the governance system that occurred between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts will be signed by the responsible financial officer, are reported in Appendix 2.**

## 8. SIGNIFICANT GOVERNANCE ISSUES ARISING DURING 2019/20

This Annual Governance Statement identifies that the Council has effective arrangements in place, but that we recognise the need to continuously review, adapt and develop our governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed (Appendix 1), it is important to recognise that there are two significant matters set out in the table below.

Ref	Issue /Area for Improvement (AGS) 2020/21	Lead Officer and Date
1	<p><u>Medium Term Financial Strategy (MTFS)</u></p> <p>The AGS assesses governance arrangements in place during 1 April 2019 to 31 March 2020 – therefore, for the majority of the year the Council's governance arrangements were unaffected by COVID-19.</p> <p>The Council has defined a 'significant governance issue' as one that is intended to reflect something that has happened in the year or which is currently being experienced. To ensure that the Council's AGS is current at the time of its publication with the Council's Statement of Accounts (July 2020), the COVID-19 impacts on the MTFS along with the Recovery of the Council's Services over the medium and longer term have been identified as a significant governance issue.</p> <p>The Council had a robust financial position going into the COVID-19 pandemic, but the crisis will have a profound impact on the Council's financial position and the way in which services are delivered. The overall financial impact of the pandemic is difficult to quantify at present. The significant funding gap due to the pandemic will have an impact on the MTFS (2020/21 and beyond) in terms of materiality and significance:</p> <ul style="list-style-type: none"> <li>• The pandemic has seriously prejudiced the achievement of some of the principal objectives of the Council's Strategic Plan 2018-22.</li> <li>• It is estimated that without further Government support the County Council will face a significant financial gap in the current financial year. These financial implications will continue beyond the current financial year adding to the financial gap identified in the MTFS.</li> </ul>	<p>Chief Executive and the Corporate Management Team</p> <p>December 2020</p>

<sup>[1]</sup> The Health Protection (Coronavirus, Restrictions) (Leicester) Regulations 2020

	<ul style="list-style-type: none"> <li>The impact is across the board covering additional expenditure, reduced income levels and savings no longer achievable. The Council has contingency measures in place assuming the current year's funding gap continues e.g. use of the General Fund which will require replenishment and reprioritisation of the capital programme.</li> </ul>	
Ref	Issue /Area for Improvement (AGS) 2020/21	Lead Officer and Date
	<p>MTFS Continued</p> <ul style="list-style-type: none"> <li>The pandemic Response phase has enabled the Council to quickly adopt major changes in the way in which services were managed, provided and supported, and the Council is focussing significant effort to maintain progress towards the key outcomes outlined in its Strategic Plan. These changes will not be wholly sustainable for the long term and the opportunity exists to use the lessons learned and experience gained from the Response phase to rethink the Council's approach and 'build back stronger'; progressing as a modern, effective and efficient organisation.</li> </ul>	
2	<p><u>Special educational needs and disability</u></p> <p>In common with many Local Authorities, there has been an increase in Special educational needs and disability (SEND) complaints arising out of delays in issuing Education, Health and Care Plans (EHCPs) and challenges to EHCP provision or lack of provision. A number of these have been referred to the Local Government and Social Care Ombudsman. A robust action plan is being developed with stakeholders following the Ofsted joint area SEND inspection in February 2020 to address these issues.</p>	<p>Director of Children and Family Services</p> <p>December 2020</p>

## 9. FUTURE CHALLENGES

Significant challenges faced by the Council such as continuing funding shortfalls, driving further Health and Social Care integration, etc are detailed within the Corporate Risk Register, which is regularly presented to the Corporate Management Team and Corporate Governance Committee. Managing these risks adequately will be an integral part of both strategic and operational planning; and the day to day running, monitoring and maintaining the Council. Challenges continue to emerge and key areas in particular are:

- Austerity -. highlighted risk last year was the continued financial uncertainty regarding government funding of local government beyond 2020-21. This has since been over-ridden by the financial challenge of funding the effects of the coronavirus pandemic, which creates a challenge in terms of budget setting and medium-term financial planning. The Council also continues to face the pre covid financial challenges, most notably the increasing cost of Special Educational Needs, though pressures also remain in adults and children's social care
- Brexit - There remains a high level of uncertainty about the implications of Britain leaving the European Union (EU). The Government has confirmed it will not delay the Brexit deadline of 31 December 2020. Preparing for a no deal EU Exit in 2019 was a resource-intensive exercise and

preparations for the end of 2020 could well raise similar challenges. This will prove to be a major challenge should it coincide with one or more of the following: a second spike of COVID- 19 infections and deaths; ongoing COVID-19 recovery work; other winter health pressures; and inclement weather (e.g. snow, flooding).

- The financial risks faced by the Council in delivering the infrastructure necessary to support growth in the County are significant. To address this a Growth Unit has been established within the Council responsible for ensuring that infrastructure to support growth is effectively planned over the short, medium and long term across Leicestershire. In addition, it will ensure that risks associated with the Council's financial contribution to large scale growth and infrastructure projects remain tightly managed by securing funding of developer contributions and from government and other external agencies.
- The Independent Inquiry into Child Sexual Abuse (IICSA) - The Inquiry will investigate institutional responses to allegations of child sexual abuse involving the late Lord Janner of Braunstone QC. The IICSA announced that the Public Hearings would be held in October 2020.

## 10. CERTIFICATION

The Council has been hugely impacted by the coronavirus pandemic. Nevertheless, despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors.

Whilst recognising that the pandemic will bring substantial risks to the Council in 2020-21, it has provided an opportunity through the response and recovery phases to enable the Council to consider changes in how its services will be delivered.

The Council's Strategic Plan 2018-22 and Medium Term Strategy will continue to be reviewed and updated over the Autumn term to assess the medium-term impacts of the current emergency situation on the Council's financial position.

The Council is satisfied that appropriate governance arrangements are in place and continue to be regarded as fit for purpose.

We propose over the coming year to take steps to address any matters to further enhance our governance arrangements in these challenging times. We are satisfied that these steps will address the need for any developments that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.



John Sinnott  
Chief Executive



Nicholas Rushton  
Leader of the Council

**AREAS FOR FURTHER DEVELOPMENT IN 2020-21**

The Corporate and Departmental AGS self-assessments contained a set of conformance statements under each core principle and related sub-principles as outlined in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016), which required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria below:




Score	Definition	Description	Evidence (all inclusive)
1	<p>Good</p> 	<p>Conformance against most of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor, and performance is generally on track.</p>	<p>Many elements of good practice to a high standard and high quality;</p> <p>Substantial assurance can be given that coverage of the sub-principle is operating satisfactorily and extends to most/all services areas within the department</p>
2	<p>Some development areas for improvement</p> 	<p>There are some developments required against areas of the benchmark and the department may not deliver some of its own and the Council objectives unless these are addressed. The management of strategic, reputational and/or financial risks is inconsistent and performance is variable across the department.</p>	<p>Some elements of good practice to a high standard and high quality;</p> <p>Moderate assurance can be given that coverage of the sub-principle is working adequately in certain service areas, with omissions in others;</p> <p>Proposal/Plans are in place to address perceived shortfalls</p>
3	<p>Key development and many areas for improvement</p> 	<p>Conformance against many/all areas of the benchmark is poor and therefore delivery of departmental and Council objectives is under threat. There are many strategic, reputational and/or financial risks and performance is off track.</p>	<p>Few elements of good practice to a high standard and high quality;</p> <p>Coverage of this expectation is omitted amongst most areas;</p> <p>Proposal/Plans to address perceived shortfalls are in early stages of development</p>





The outcome of the review of the self-assessments is summarised in the table below.

**Note: some actions are not included in the table as they are already reported through the Corporate Risk Register (CRR).**



## Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)

Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further
<p><b>Principle A:</b></p> <p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>		<p>The level of conformance is generally good; however, the following key developments are noted:</p> <ul style="list-style-type: none"> <li>• Further work continues with embedding the Council's revised values and behaviours within the updated Annual Performance Review scheme. This is particularly relevant in relation to current (remote) ways of working. (New).</li> <li>• To ensure external providers of services on behalf of the Council are required to act with integrity and in compliance with high ethical standards expected by the Council, a new Supplier Code of Conduct was agreed in September 2018, but further work is needed to review the operation and implementation of the new Code. In addition, the further engagement with departments will be undertaken to update the contract register which will lead to a targeted approach of engagement with suppliers. (From 2018/19 as continuing action).</li> <li>• Development of Ethical training for contract managers. All processes, procedures and policies are being reviewed in the Commissioning Support Unit with a view to roll out additional guidance and training where gaps are identified (From 2018/19 as continuing action).</li> <li>• The Members Code of Conduct will be reviewed to have regard to the recommendations of the report of the Committee on Standards in Public Life – 'Ethical Standards in Local Government'. The LGA has just launched the consultation on the Code <a href="https://www.local.gov.uk/code-conduct-consultation-2020">https://www.local.gov.uk/code-conduct-consultation-2020</a>. The consultation on the draft member code of conduct will run for 10 weeks from Monday 8 June until Monday 17 August 2020. A report will be submitted to the Corporate Governance Committee in July setting out a suggested response to the consultation. (New)</li> <li>• Additional resources to support implementing a robust recruitment programme for social workers and wider resource in place to help to modernise recruitment practice and processes – reported through CRR.</li> <li>• Employee Code of Conduct was agreed by the County Council in July 2014. This is currently in the process of being reviewed (New).</li> <li>• Ensure that all upheld complaints have an action plan and that this is tracked and evidenced (New)</li> </ul>
<p><b>Principle B:</b></p> <p>Ensuring openness and comprehensive stakeholder engagement</p>		<p>The level of conformance is reasonable however further development is required in:</p> <ul style="list-style-type: none"> <li>• A corporate Consultation Communications and Engagement Group oversees and co-ordinates the Council's engagement activities. The Group will review how the council can fulfil its statutory duty to consult in light of the current Covid-19 emergency. This will include learning lessons from previous consultations, best practice and innovation. (New)</li> </ul>
<p><b>Principle C.</b></p> <p>Defining outcomes in terms of sustainable economic, social, and environmental benefit</p>		<p>The level of conformance is good with the following area to note:</p> <ul style="list-style-type: none"> <li>• A light touch review of the Strategic Plan 2018-2022 was undertaken in light of the declaration on climate change. This is to be approved by Council on 8<sup>th</sup> July 2020. A comprehensive review of the Strategic Plan and outcomes framework will be undertaken in the financial year 21/22 to reflect the implications of Covid-19 and the ongoing climate change challenges. The Strategic Plan has been augmented by the development of a complementary Strategic Change Programme and a Covid19 Recovery Strategy. (New)</li> </ul>

Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further
<p><b>Principle D.</b></p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>		<p>Further development is noted in the following areas:</p> <ul style="list-style-type: none"> <li>• Work is continuing to embed an outcomes-based approach following adoption of the Council's Strategic Plan 2018-22. The outcomes framework is being implemented in a phased manner with work well advanced on the Affordable and Quality Homes outcome and work is being undertaken on the other four. A programme of work to ensure the Council's Policy Framework aligns to the Strategic Plan is also underway. (New)</li> <li>• The Council an approved Social Value Policy statement - work is underway to conduct a Council wide review of Social Value to identify gaps. Additional guidance and training will be provided to address gaps. (From 2018/19 as, continuing action)</li> <li>• Oracle Fusion Implementation (replacement system to transform how HR, Payroll, Finance and Procurement tasks) reported through CRR.</li> </ul>
<p><b>Principle E.</b></p> <p>Developing the entity's capacity including the capability of its leadership and the individuals within it</p>		<p>The level of conformance is good, however:</p> <ul style="list-style-type: none"> <li>• The People Strategy is being refreshed - an evaluation of the effectiveness of actions taken under the existing strategy has been undertaken and results are informing the development of priorities within the new strategy. (New)</li> <li>• Continue to utilise best practice, benchmarking information and implement enhanced date reporting to better support future service developments and resource allocation. (New)</li> <li>• The Council's approach to attendance management and wellbeing was subject to an informal peer review by another County Council in August 2019. and an action plan has been implemented to enable the Council to meet its absence management target. Early indications are that absence levels are dropping through enforced remote working (longer term this will be supported by the implementation of the Council's workplace programme) – this will be the subject of ongoing monitoring through the CRR.</li> </ul>
<p><b>Principle F.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management</p>		<p>The level of conformance is generally good, although the following key development is noted:</p> <ul style="list-style-type: none"> <li>• Continuing work on implementation of recommendations from the Independent Risk Management Health Check (From 2018/19 as a continuing action).</li> <li>• Greater validation processes within key databases being developed. Increase digital support for management to manage data quality and identify weaker areas. Improve contract management and monitoring of key contracts particularly for Adult Social Care, SEND. (New)</li> <li>• Work is underway to identify missing Information Security Agreements (ISA). Reviews of all ISAs will be undertaken to ensure actions are complete.(New)</li> </ul>
<p><b>Principle G.</b></p> <p>Implementing good practices in transparency reporting and audit to deliver effective accountability</p>		<p>The level of conformance is good, however:</p> <ul style="list-style-type: none"> <li>• Work is underway to ensure all departments update the Contracts Register to enable compliance with the reporting requirements under the Transparency Code. (New)</li> <li>• New place -based performance dashboards are being implemented to reflect the Health and Well Being (HWB) Board priority outcomes and integration deliverables. The HWB Board is undertaking a review of priority outcomes within the Joint Health and Well Being Strategy as part of planning for 2021/21. (New)</li> </ul>

**SIGNIFICANT EVENTS & DEVELOPMENTS RELATING TO THE GOVERNANCE SYSTEM THAT OCCURRED POST BALANCE SHEET DATE**

The draft Annual Governance Statement (AGS) for 2019/20 was considered by the Council's Corporate Governance Committee on 24 July and was subsequently published with the draft Statement of Accounts.

The Code of Practice on Local Authority Accounting in the UK 2019/20, states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported.

To assist in determining a 'significant event or development relating to the governance system', CIPFA suggested two questions could be considered by organisations: -

1. Has an event from 2019/20 continued to impact on governance until the time of publication?

Although it departed from the national Contain Framework, the County Council along with Leicester City Council and Rutland Council, the other two Public Health Authorities in the area, took a decision jointly to establish a Political Oversight Board to allow the Leaders of local authorities (plus the Police and Crime Commissioner and local NHS leaders) to have a greater involvement in and awareness of decision taking in respect of local lockdowns. That was commended as an example of good governance by an independent review commissioned by MHCLG in August 2020, which more widely praised the local response following the 'Leicester lockdown', which also affected parts of Leicestershire, announced on June 29th. The Political Oversight Board has continued to meet as necessary in the context of the ongoing lockdown of Leicester and different decisions in respect of the Government's tiered approach affecting Oadby & Wigston and Charnwood. The independent MHCLG review also supported the recommendation from the County Council that there should be a more timely and ongoing involvement of local MPs in respect of any lockdown decision. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/924639/Local\\_COVID-19\\_outbreaks\\_lessons\\_learned\\_and\\_good\\_practice.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924639/Local_COVID-19_outbreaks_lessons_learned_and_good_practice.pdf)

The County Council has established a cross-party member working group which meets with lead officers to discuss its own plans for recovery. Separately, the County Council has a lead role in a Business Recovery cell (covering Leicester and Leicestershire) set up by the Local Resilience Forum (LRF).

The County Council has led on the implementation of the local lockdown enforcement regulations and has secured good governance through its agreement on working arrangements and the release of staff with each of the seven district councils as well as the oversight of the enforcement activity through the LRF to achieve consistency across all areas'.

2. Have recent developments highlighted something about governance in 2019/20 that wasn't known?

Although the County Council has continued with its regular pattern of Cabinet, scrutiny and regulatory meetings, held virtually since the national lockdown announced in March, those meetings were not judged to allow for sufficient member awareness of the impact of Covid-19 both on council services and local communities. Accordingly, wide ranging electronic updates have been published at least on a weekly basis (also circulated to MPs and town and parish councils) and weekly Teams meetings (All Member Briefings) have been held throughout the period. Typically, 40+ of the Council's 55 members will dial in. Presentations are made by officers covering all services, including recovery, followed by a Q&A session, the event typically lasting around 1½ hours.

The County Council has adopted a dynamic approach and amended its scheme of delegation and standing orders as required to enable its functions to be undertaken in a different way and to encompass new areas of enforcement work without prejudice to its governance obligations.

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