



Annual Audit Letter 2015/16

**Leicestershire County Council and
Leicestershire Pension Fund**

—
October 2016



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External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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This Annual Audit Letter summarises the outcome from our audit work at Leicestershire County Council in relation to the 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 29 September 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
VFM risk areas	<p>Our initial risk assessment took into account the Authority's key business risks which are relevant to our VFM conclusion. We identified the Authority's arrangements for delivering it's saving plans as a particular area of focus for the assessment. The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing savings required to balance its medium term financial plan.</p> <p>We considered the Authority's arrangements for managing its annual budget and the 2015/16 outturn. The outturn was largely as expected and no significant concerns had been highlighted in the current year monitoring reports. We also specifically considered:</p> <ul style="list-style-type: none"> - The Authority's savings programme focussing on the delivery of savings plans and the arrangements the Authority has in place to identify further savings in future years. Over the last five years the Authority has delivered savings of £100m, with savings of £58.8m forecast to be made over the next four years (2016/20), £26.7m of these are planned to be delivered in 2016/17. <p>We were satisfied that sufficient work in relation to these matters was being carried out by the Authority to mitigate the audit risks for our VFM conclusion. We concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 29 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.</p>
Financial statements audit	<p>We received complete draft 2015/16 accounts by 30 June 2016, in accordance with the requirements of the Accounts and Audit Regulations. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code.</p> <p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>One significant adjustment was required relating to an academy lease which was surrendered during 2015/16, therefore the related assets (buildings) should have been brought back onto the Authority's balance sheet. However, the Finance team were not informed of the lease surrender resulting in the incorrect accounting treatment of capital expenditure (£2.8m) relating to this asset during the year. Due to the complexity of the adjustments required to correct this matter a number of statements and notes to the accounts had to be adjusted. We undertook a review of all the adjustments made in relation to this matter and are satisfied they have been correctly adjusted.</p>

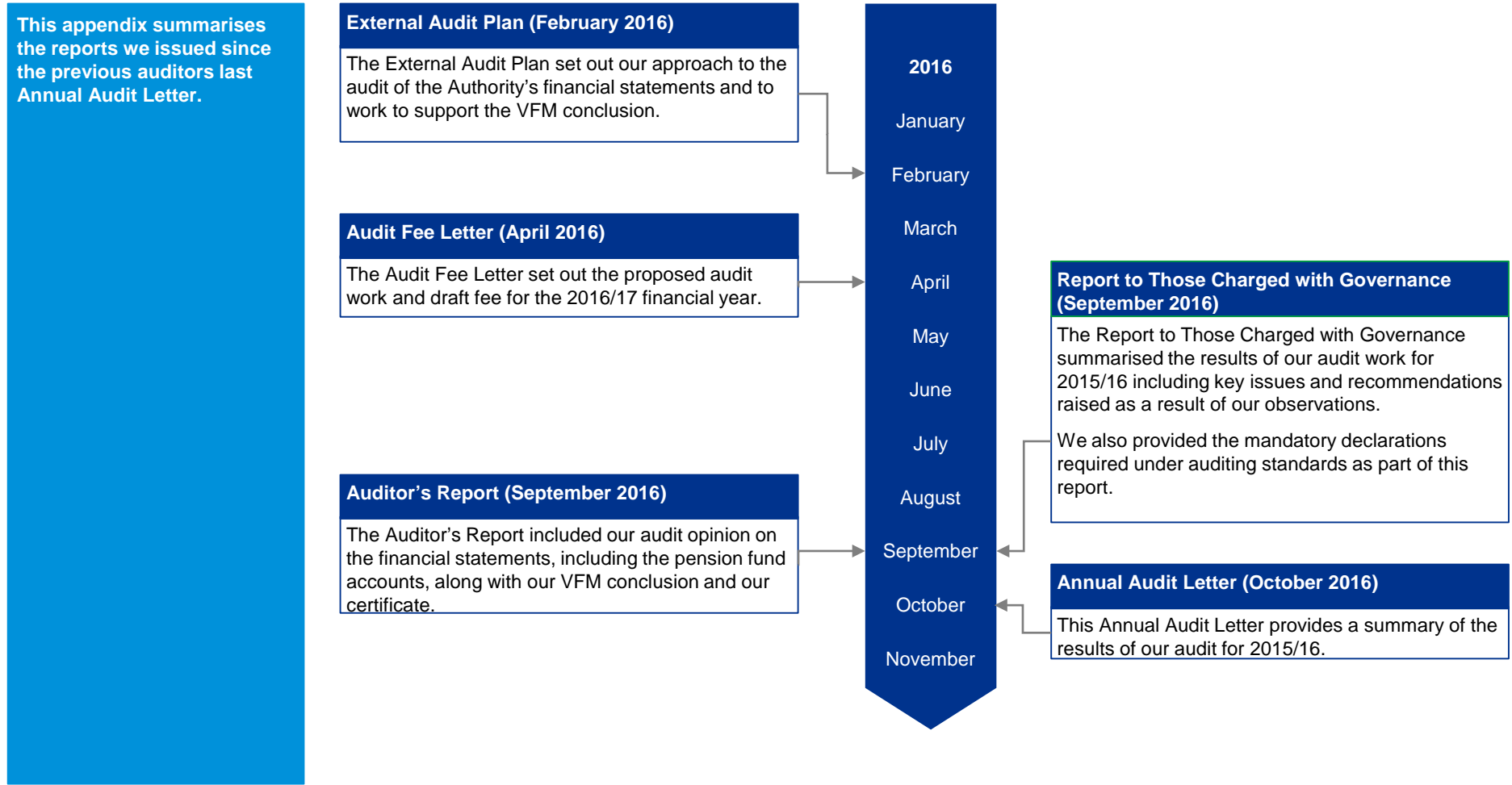
Section one

Headlines (cont)

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

Annual Governance Statement & Narrative Report	Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.
Pension fund audit	There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that, following agreed amendments, the Authority's pack was consistent with the audited financial statements. We completed this on 21 October 2016.
Certificate	We issued our certificate on 21 October 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our fee for 2015/16 was £76,950 excluding VAT for the Authority accounts and £27,637 excluding VAT for the Pension Fund accounts. This is in accordance with our planned fee.

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audits, excluding VAT, were:

- Leicestershire County Council accounts £76,950; and
- Leicestershire Pension Fund £27,637.

Both of these are in line with the planned fees.

Other services

We charged £3,000, excluding VAT, for additional audit-related services for the certification of the 2014/15 Local Transport Plan Major Projects return, which is outside of the Public Sector Audit Appointment's certification regime.



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