

# Audit Findings for Leicestershire County Council

Year ended 31 March 2023

20<sup>th</sup> May 2024



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## Your key Grant Thornton team members are:

### Mark Stocks

Key Audit Partner  
E Mark.S.Stocks@uk.gt.com

### Mary Wren

Senior Manager  
E Mary.Wren@uk.gt.com

### Lisa Morrey

Assistant Manager  
E Lisa.Morrey@uk.gt.com

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This Audit Findings presents the observations arising from the audit 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. Its contents will be discussed with management and the Corporate Governance

Mark Stocks  
For Grant Thornton UK LLP  
Date: 15 May 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicestershire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

## Financial Statements

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's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- 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.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative report) is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

An Interim Audit Findings Report was presented to the Audit Committee in January 2024. Key changes to this report are highlighted in yellow.

The main area of outstanding work as reported in January 2024 related to the evidence to support Land and Building valuations within the Council's financial statements. We provided a detailed list of evidence required for each asset selected for testing at the beginning of October 2023. The final information and valuation reports were provided in April 2024 and we have now concluded our work in this area.

Our audit work has been conducted remotely throughout the audit. Our work is substantially complete subject to the following outstanding matters;

- Receipt of management representation letter; and
- Completion of procedures regarding subsequent events
- Review of final version of financial statements, including WGA procedures
- Final Manager and Engagement Lead review of the above

Our detailed findings are summarised on pages 6 to 25.

We have identified a number of issues in our 2022/23 audit which have been adjusted in the Council's financial statements. This includes three material misstatements and three non-material misstatements in the financial statements. This impact of these is summarised below:

- Prior period adjustment – a number of issues have been identified in relation to the Council's Land and Building valuations. This has triggered a Prior period adjustment. In summary the Council's land and building values as at 31<sup>st</sup> March 2022 are £40.1m lower than those reported in the draft financial statements. A detailed Prior Period Adjustment disclosure (note 8) has been included in the Council's updated financial statements
- Prior Period adjustment – Grants received in advance have been incorrectly included within financial instrument disclosures. This is a material disclosure amendment. A detailed Prior Period Adjustment disclosure (note 8) has been included in the Council's updated financial statements
- Increase in the Council's Net Pension Liability of £14.3m due to incorrect offsetting of pension arrangements and subsequent application of IFRIC 14.
- Other Land and Buildings – Reduction in valuation of £9m following the Council obtaining updated valuations in 22/23 and other accounting issues relating to Land and Building valuations
- Revaluation reserve difference of £1.8m compared to the general ledger – this was identified by the Council's Finance Team.

The above adjustments do not impact on the Council's general fund balance.

Further issues identified for which adjustments have not been made to the financial statements are:

- Movement on valuations on assets not revalued in 2022/23 – resulting in an estimated understatement of asset values of £1.4m.
- Overstatement of income due to incorrect accruals accounting being applied to rental income invoices - £1.358m. This adjustment would impact on the Council's general fund balance.
- A number of disclosure amendments have not been made– relevant recommendations have been made to ensure these are addressed in 23/24

# 1. Headlines

## Financial statements – continued

Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our financial statements audit report opinion will be unmodified. We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

We have nothing to report in relation to statutory powers or other duties.

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on page 25, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to be able to certify the completion of the audit when we give our audit opinion.

## Significant matters

The valuation process has been problematic throughout the audit with the final valuation report being provided to the council in April 2024. This has incurred significant additional resource for the audit team and the Council's own staff. The impact on audit fee is included within Appendix E. 14 versions of valuation reports have been received throughout the audit with a number of material amendments to the financial statements.

We did not encounter any other significant difficulties or identify any other significant matters arising during our audit.



# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us throughout the audit ensuring open line of communication and collaborating to reduce the risk of delays and for maintaining a positive working relationship to address any issues.

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## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. We have not identified any similar risks at the Council.

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# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit 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 will be presented to the Corporate Governance Committee.

As auditor we are responsible for performing the audit, 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's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- 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 made one change to our audit approach to that reported in our Audit Plan. Following receipt of the draft financial statements and initial review of Net Pension Fund Liability offsetting it was identified additional procedures regarding IFRIC 14 were required. Full detail is provided on pages 13 and 14.

There have been no further changes to our audit plan, as communicated to you on 26<sup>th</sup> May 2023.

## Conclusion

Our work is substantially complete subject to the following outstanding matters;

- Receipt of management representation letter;
- Final addendum valuation report from the Council;
- Completion of procedures regarding subsequent events
- Review of final version of financial statements , including WGA procedures
- Final Manager and Engagement Lead review of the above

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion .

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The Council's central finance team and key staff members have been instrumental in supporting the wider audit, especially where requests require the involvement of other departments/external experts.

The 2022/23 audit has progressed at a faster pace than prior years but it has still taken longer than expected. We are aware this extended through the budget setting window of the Council which we appreciate is a challenging time and puts competing demands on finance staff. We have encountered some delays in relation to the quality of initial evidence provided to support income and expenditure transactions. This was escalated to senior finance team members who responded promptly to the issues raised.

The Land and Building valuation process has been problematic throughout the audit with the final valuation report being provided to the council in April 2024 . This has incurred significant additional resource for the audit team and the Council's own staff.

Moving forward, we will review, in detail, the 2022/23 audit process alongside the Council and agree how the 2023/24 audit timeline and procedures can be amended to ensure the audit is completed as efficiently as possible.

## 2. Financial Statements



### 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 but we have set a specific lower materiality level for your remuneration disclosures.

We set out in this table our determination of materiality for Leicestershire County Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£14.5m	We determined materiality for the audit of the Council's financial statements as a whole to be £14.5m, which equates to approximately 1.4% of the Council's gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	£9.8m	<p>We use a different level of materiality, performance materiality, to drive the extent of our testing. Our consideration of performance materiality is based upon a number of factors:</p> <ul style="list-style-type: none"> <li>• We have not historically identified significant control deficiencies as a result of our audit work</li> <li>• We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment</li> <li>• There were a number of misstatements identified as part of the 2021/22 audit in relation to property, plant and equipment.</li> <li>• There were recommendations raised in 2021/22 in relation to the Council's journals control environment.</li> <li>• Senior management and some key reporting personnel in the finance function have changed from the prior year audit</li> </ul> <p>On this basis we have maintained the performance materiality threshold at 67.5%.</p>
Trivial matters	£700k	We determined the threshold at which we will communicate misstatements to the Corporate Governance Committee to be £700k.
Materiality for remuneration disclosures	£100k	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts. We have determined a lower materiality for senior officer remuneration disclosures linked to the total value of the disclosures set at £100k with a lower performance materiality set at £75k.
Performance materiality for remuneration disclosures	£75k	

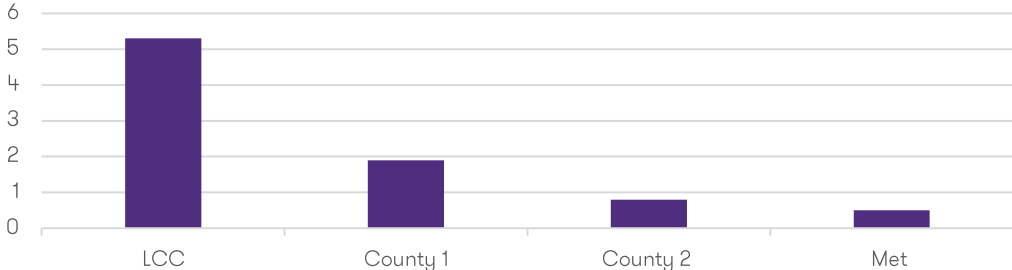
# 2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p><b>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</b></p>	<p>We completed the following audit work:</p> <ul style="list-style-type: none"><li>• evaluated the design and implementation of management controls over journals</li><li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li><li>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li><li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li><li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul> <p>We have completed targeted testing of a number of journals deemed to be ‘unusual’ using an overarching set of risk criteria. Our sample of journals tested has not identified any instances of management override.</p> <p><b>General Ledger coding structure and balances</b></p> <p>When undertaking our risk assessment work in relation to journal entries we have, as noted in the prior year, identified that the Council’s ledger structure and processing gives rise to a significant number of journal postings. A number of separate codes are used to manage the debit and credit items separately for a particular item as well as using journals to reallocate costs and income between cost centres. This results in a significant number of debits on account codes which are offset by a significant number of credits on other account codes. The separation of debit and credit transactions for the same GL code to the extent used by the Council is unusual.</p> <p>The size and volume of data being processed at the Council therefore results in additional audit time and procedures to understand the data and cleanse the data appropriately in order to test balances in the most efficient way. Recommendations have been raised to ensure further progress is made to reduce the level of transactions recorded and that account codes are managed and cleansed appropriately.</p> <p>A fee increase of £7,500 was reported in the audit plan relating to this additional work.</p> <p>It is difficult to provide directly comparable benchmarking information due to the differing ledger structures and services delivered across our client base. We have, however, provided some high level benchmarking overleaf which illustrates the volume of transactions processed across three organisations of similar size to Leicestershire County Council.</p> <p>Our analysis identified of the Council’s data has identified 20,371 full code combinations which have been posted to less than monthly. A reporting cost centre can use an analysis code to separate their cost centre down further and then for each they will use a subjective code to identify the type of spend. Together the codes form a ‘code combination’. We have raised a recommendation regarding this point within</p>

# 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary										
<p>Management override of controls (continued)</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<div><div>Number of transaction lines posted in year (million)</div><table><thead><tr><th>Entity</th><th>Number of transaction lines posted in year (million)</th></tr></thead><tbody><tr><td>LCC</td><td>5.2</td></tr><tr><td>County 1</td><td>1.8</td></tr><tr><td>County 2</td><td>0.8</td></tr><tr><td>Met</td><td>0.4</td></tr></tbody></table></div> <p>Mass migration journals</p> <p>In addition to the relatively large number of separate codes and journals processed to reallocate costs and income between cost centre we also note , as in previous years, that the Council undertakes periodic (usually monthly) journal postings in which the Council transfers the totals for each department to the general fund. In addition, allocations are also used to allocate balances on Reserves, Provisions and other technical control accounts, (used to show the in year movements on those accounts), to their balance sheet codes. These postings are undertaken to balance the balance sheet on a regular basis in order to produce its monthly accounts. The extent of these postings not only increases the volume of transactions but also the risk that there may be errors in amounts and account codes as these are copied from system reports by the corporate finance team.</p> <p>Recommendations have been raised to ensure further progress is made to reduce the level and appropriateness of these transactions.</p> <p>Journals Authorisation</p> <p>We have completed audit testing around authorisation and as in the prior year we have identified that all journals below £20,000 do not require authorisation. We have noted that all such journals are restricted to being posted by specific finance officers in the Central Technical Accounting Team which has been confirmed by our testing. The total value of such journals is £4.583m and therefore the risk is not material.</p> <p>Our journal audit work is complete.</p>	Entity	Number of transaction lines posted in year (million)	LCC	5.2	County 1	1.8	County 2	0.8	Met	0.4
Entity	Number of transaction lines posted in year (million)										
LCC	5.2										
County 1	1.8										
County 2	0.8										
Met	0.4										



## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

#### Valuation of land and buildings

Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period.

Valuations are significant estimates made by management. The net book value of land and buildings held by the Council at 31 March 2023 was £453.4m (as per draft accounts)

In addition to this, material adjusted misstatements were reported in relation to the Valuation of land and buildings within the 2021/22 financial statements.

We have identified the valuation of land and buildings and investment property as a significant risk

### Commentary

The valuation process has been problematic throughout the audit with final asset valuation reports being provided to the Council in April 2024. This has incurred significant additional resource for the audit team and the Council's own staff. The impact on audit fee is included within Appendix E. 14 versions of valuation reports have been received throughout the audit with a number of material amendments to the financial statements.

Our work in relation to the Council's valuation of Land and Buildings is now complete. A number of errors have been identified, this has also necessitated a Prior Period Adjustment. In summary:

Land and buildings per draft financial statements	£453.4m
Prior period adjustment	(£40.1m) – further detail provided below
Updated valuations relating to 22/23 only	(£9.2m) – further detail provided below
Land and buildings per final version	£404.1m

#### Prior period adjustment - £40.1m

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Our testing of land and buildings valuations identified a number of issues, the most significant being in relation to Schools Land and Buildings. This has resulted in a Prior Period Adjustment of £40.1m, reducing the Council's asset valuation as at 1 April 2022 by £40.1m with opposite entry impacting on the Councils revaluation reserve. This does not have any impact on the Council's General Fund Balance. Further detail is provided below.

Our sample testing of 22/23 Schools land identified an issue in valuation. The value applied was based on all schools land being developable. This methodology is incorrect and schools land should be valued by splitting the site between developed land – where the building stands and therefore has planning permission and so the value is higher, and undeveloped land- such as school fields where planning permissions are not in place. All school land valuations since 2019/20 have been revised and adjusted within the Council's financial statements as part of the Prior Period Adjustment

#### Other valuation adjustments - £9.2m

A number of valuation issues have been identified throughout the audit. In addition to the prior period adjustment described above there are adjustment which have been made in 22/23 only. These include:

- Our sample testing of 22/23 schools buildings involves the review of build year and base year together with a remaining useful life to calculate obsolescence rates. Evidence to support build and base years could not be provided. As such updated valuations were undertaken with revised build and base years. This resulted in adjustments to schools building valuations over a number of years, including 22/23 and also forms part of the Prior Period Adjustment.

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings (continued)

- Two Assets under Construction (AUC), upon completion were transferred from AUC to Operational land and Buildings. The assets were not, however, revalued at this point and were included in the draft financial statements at historic cost. This is not in accordance with the CIPFA code. The assets have now been revalued as at 31<sup>st</sup> March 2023. The net impact is that the carrying values included in the accounts for these two assets at 31<sup>st</sup> March 2023 are overstated by £3.9m. Updated valuations have been adjusted in the financial statements.
- The Council has a number of land and building assets which have not been revalued in 2022/23. The Council was unable to provide evidence to support its view that the unvalued asset values would not have changed in value (since the last valuation date). The Council therefore instructed their valuer to review the ten highest value assets in detail. For ten of these assets the revised valuations indicate that the asset value was overstated by £4m. Updated valuations have been adjusted in the financial statements. For the remaining assets not revalued there is an uncertainty of £1.8m.

#### Revaluation reserve difference between Fixed asset Register (FAR) and General Ledger (GL)

The Council has identified that the revaluations reserve recorded in its FAR is £2m lower than that recorded in the general ledger. This is a historic difference the Council has amended in the current financial year as it does not meet the criteria of a prior period adjustment.

We have also identified a number of areas of improvement – reported as recommendations within Appendix B. These are as follows:

#### Asset register and valuations process housekeeping

. The Council's capital accounting process is currently over complicated and some accounting practices result in additional audit time being incurred to validate/understand the logic of transactions. Examples include:

- Assets are valued at 1<sup>st</sup> October rather than the year end. This requires additional reconciliation processes to agree the fixed asset register back to the valuation report and to consider any movements from the date of valuation to the year end value. This is not consistent with most other local authorities who arrange for valuations to be completed at the balance sheet date.
- capital additions and assets under construction brought into use in year are processed as a manual adjustment to the fixed asset register as at 31 March 2023 and then revalued in the following financial year. As at 31<sup>st</sup> March these assets are therefore carried at historic cost, which is not in accordance with the Code.

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (continued)	<ul style="list-style-type: none"> <li>• finance leased assets are not included in the FAR and are processed as a manual adjustment to arrive at the figures to be included in the financial statements.</li> <li>• In the draft financial statements presented for audit £53.7m has been included in the financial statements at historic cost relating to land and building. This is not in accordance with the CIPFA code. Review of this balance has resulted in a number of changes to the financial statements.</li> <li>• The Councils asset register, once closed cannot be amended. This has been problematic in pr</li> </ul> <p><b>Valuer Terms of Engagement</b></p> <p>It is a mandatory requirement under the RICS valuation guidance for the Council's valuer to prepare Terms of Engagement documents for any valuation completed. Outline instructions were issued by the Council to the Valuer but terms of engagement have not been signed. Whilst there is no reason to suggest that the valuation process will not be in line with the guidance for the instruction element we are of the view that the Valuers should prepare a formal Terms of Engagement document prior to commencement of their work which the Council should review and sign up to ensuring that work is completed as required.</p> <p><b>Useful economic lives</b></p> <p>The Council has undertaken a review of all nil NBV assets during 22/23. This review has identified £5.4m of assets which were either no longer in use or had been scrapped. This has been adjusted in the financial statements as asset disposals, removing the gross carrying amount and the related accumulated depreciation. The Council confirmed to us that the residual balance of Nil NBV assets of £8.9m relate to assets which are still being used. We sampled tested these assets and our sample testing of this balance identified further assets which should have been treated as a disposal. This has no impact on PPE balances overall and is not a material value however it does indicate a weakness in the Councils current review process.</p> <p>This also indicates the Council's accounting policy in relation to useful economic lives is not in line with what is happening in practice and therefore depreciation charges are not being spread across financial years correctly.</p>

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£576.4 million as at 31st March 2022) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

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 evaluated 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
- reviewed whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2023 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion
- Obtained relevant assurances from the Pension Fund Auditor

#### Consideration of IFRIC 14

The Council's draft financial statements present a net pension liability of £20.4m in the Council's balance sheet.

This has been agreed to the IAS 19 report from the Council Actuary and is made up of £34.6m Unfunded benefits relating to compensatory added years and £14.2 LGPS net pension asset.

The Council has been challenged in relation to the right of offset of funded and unfunded balances. The Council has investigated this further and confirmed that the Compensatory added years were awarded under specific regulations:

- the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000
- The Local Government (Discretionary Payments) Regulations 1996

The Council has confirmed that Unfunded Compensatory Added Years (CAY) are separate liabilities and are not part of the County Council's pension sub fund. The Council is not aware of any legislation or scheme rules that allow the right to offset CAY across LGPS. The Teachers pension scheme is a completely separate pension scheme to the LGPS and will therefore have no right to offset assets/liabilities.

As such, we have concluded that the funded and unfunded elements cannot be offset and they have a liability in relation to unfunded benefits and an asset for the LGPS.

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

#### Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£576.4 million as at 31st March 2022) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Commentary

Following the identification of a pension asset, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset. In summary, IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet. The Council has received an IFRIC 14 report from the Actuary and challenged where appropriate. The following additional audit procedures have been carried out in relation to IFRIC 14:

- Considered whether the approach taken by the Council in their IFRIC 14 assessment is in line with expectations
- Reviewed the Council's IFRIC 14 assessment
- Considered whether there is any additional liability arising from positive secondary contributions for past service costs
- Considered the sufficiency of financial statement disclosures

Our work in relation to IFRIC 14 is complete. We have identified the following:

#### Application of asset ceiling

Following the IFRIC 14 report the Council will apply an asset ceiling. This records the pension asset at nil value. A material amendment is required in the financial statements as follows:

Increase net pension liability £14.2m

Increase in pension reserve £14.2m

There is no impact on the Council's General Fund balances regarding this adjustment.

#### Financial statements disclosures

Net pension liability disclosures within the draft financial statements are not compliant with the CIPFA code. Where there are funded and unfunded elements, these should be separately disclosed. This disclosure has been revised by the Council and updated working provided to the audit team.

**Our work is complete. We are satisfied necessary amendments have been made to the financial statements.**



## 2. Financial Statements: Other risks

### Risks identified in our Audit Plan

### Commentary

#### Completeness of non-pay operating expenditure

Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses.

Management uses judgement to estimate accruals of un-invoiced costs. Management also undertake an assessment of the levels of grant income received in the financial year to be deferred to future years based on the specific terms and conditions of funding.

We therefore identify completeness of non-pay expenses as a risk requiring particular audit attention.

We have:

- Evaluated the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness
- gained an understanding of the Council's system for accounting for non-pay expenditure
- tested a sample of balances included within trade and other payables
- tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period.
- test a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period.

Our testing did not identify any issues.

#### Operation of ledger and coding

In our 2021-22 audit we identified that:

- The general coding structure appeared to be complex.
- The Council uses a large number of ledger codes for debtors and creditors.
- A number of ledger codes had not been fully reconciled for some time.
- Income and non pay expenditure had a significant volume and value of debit and credit populations.

We have:

- Reviewed the ledger coding system to ensure we have a clear understanding of how management operate the ledger. Whilst we are satisfied, from our testing there are not material errors resulting from the ledger complexity this remains an issue for the analysis of populations for our work on Journals . Further details are included on pages 8 and 9
- Reviewed gross and net balances presented for audit to ensure that valid balances are not inappropriately removed
- Tested a sample of debit and credit code reconciliations to ensure old balances are being cleared. We have identified, in relation to payroll control codes old balances are not being cleared.
- Reviewed the income and non pay expenditure balances (and accounts receivable and payables balances) to ensure that contras are removed prior to sampling.

## 2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
<p><b>East Midlands Freeport</b></p> <p>The Council has provided us with a briefing note on the East Midlands Freeport (EMF). This confirms:</p> <ul style="list-style-type: none"> <li>As the accountable body for EMF LCC has agreed to provide EMF with a loan of £2.5m to cover its start up costs, to be repaid from future retained business rates.</li> <li>At 31 March 2022 LCC had incurred £716k and temporarily funded this from its own reserves. EMF was not a formal entity at this point</li> <li>At 31 March 2023 LCC has incurred a further £922k (total £1.7m) - to also be funded temporarily from its reserves</li> <li>On the 30th March 2023 the EMF was given the formal approval by central government and effectively started operating from this point. It appointed its first employee, the CEO and incurred £14k by 31.3.23.</li> <li>A draft loan agreement has been shared with the 12 EMF partners, but this has not yet been signed. Informal agreements are in place to underwrite the loan</li> <li>An NDR1 return has been prepared for the freeport zone area, which shows retained business rates (RBR) for 2023/24 of £1.1m of which £0.56m will come to the County to repay the loan. Forecasts made by the County for EMF show further RBR of £2.4m in 24/25 and £8.1m in 25/26 which will clear the start up advance.</li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>Reviewed the Council's proposed accounting treatment for the loan and associated liabilities</li> <li>Reviewed the Council's disclosure of the arrangements in its financial statements</li> <li>Reviewed the ownership of EMF and how profits, losses, assets and liabilities are shared between the partners. We need review the corporate structure and the associated accounting by the Council</li> <li>Reviewed the business rates model and accounting treatment for the Freeport's zone area.</li> </ul> <p>Update to risk identified in audit plan</p> <p>We note that the £2.5m has subsequently increased to an upper limit of £4m and latest forecasts generated through working with WSP, part of the Government's Freeport Hub, show further RBR of £4.3m in 24/25 and £6.8m in 25/26 available to EMF which will clear the start up advance. This has not impacted on the planned audit procedures carried out.</p> <p>Whilst we are satisfied the accounting entries within the Council's 22/23 financial statements are not material we have identified weaknesses in governance arrangements as reported in the Auditors Annual Report.</p>
<p><b>Pooled infrastructure Fund</b></p> <p>During the year the Council invested £8.7m in Pooled Infrastructure Funds, similar to the existing Pooled Property Funds held. Types of pooled infrastructure include, energy infrastructure, including renewables, water treatment works and transport infrastructure such as rail and air terminals.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Reviewed the accounting for these arrangements held in the Council's accounts as long term investments.</li> <li>Reviewed the Council's valuation of the fund at 31 March 2023 and confirmed to third party confirmations.</li> </ul> <p>We are satisfied with the accounting entries, related disclosures and valuation of these funds within the Council's 22/23 financial statements.</p>

## 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Land and Building valuations – Other Land and Buildings £453.4m (per draft accounts)</b> <b>Assets Held for Sale £11.3m</b> <b>Surplus Assets £3.1m</b>	<p>Other land and buildings comprises specialised assets such as schools, libraries, depots and community centres, 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 other land and buildings are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The Council has engaged Bruton Knowles as their expert valuer to complete the valuation of land and buildings as at 1 October 2022. 22/23 is the last year of valuations under this engagement with Bruton Knowles and the Council has engaged a new valuer from 23/24 onwards. Assets are revalued on a five yearly cyclical basis as a minimum with annual revaluations of the top 20 assets by value and all assets held for sale and surplus assets.</p> <p>Of the £453.4m other land and buildings management have obtained valuations for £267m (59%) of assets as at 1 October 2022. For those assets not subject to valuation in the current year (£186.4m) the Council has taken the following approach :</p> <ul style="list-style-type: none"> <li>£53.7m relate to assets held at historic cost – This has been reviewed in detail by the Council and where appropriate updated valuations have been obtained. Adjustments to the financial statements have been made for those assets revalued and are reflected as part of the £9.2 m adjustment included in appendix D. The revised financial statements include £8m of assets held at historic cost. We estimate there is a potential understatement of £370k relating to these assets. We have raised a recommendation that these assets are subject to valuation as part of the 23/24 revaluation programme.</li> <li>£65m has been reviewed using the consideration of specific indices for example BCIS, movement in land prices and movement on office rentals. This has identified there is a potential understatement of £3m.</li> <li>£67m of assets (primarily schools) have also been considered using BCIS however the resulting movement was £6.6m (understatement). Upon review it was considered this did not represent the true movement of this asset category. As such, the Council instructed their valuer to carry out a desktop valuation as at 31<sup>st</sup> March 2023 of the top 10 assets by value in this category (totalling £30m). For the 10 assets revalued a £4m reduction in asset values has been identified, this forms part of the £9.2m adjustment in appendix D. The council has adjusted the financial statements for updated valuations. This leaves uncertainty of £4.8m overstatement for the remaining £37m in this category which has not been revalued.</li> </ul>	<p>Our work in this area is compete. See comments on issues arising to date on pages 10 to 12.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

### Assessment

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

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability £20.4m (as per draft financial statements)	<p>The Council's net pension liability at 31 March 2023 is £20.4m (PY £576.4m) relating to Leicestershire Pension Fund.</p> <p>The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial funding valuation is required every three years. The latest full actuarial funding valuation was completed as at 31 March 2022.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £503.1m net actuarial gain recognised in the Comprehensive Income and Expenditure account during 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Undertaken an assessment of management's expert</li> <li>Assessed the reasonableness of the actuary's approach and of any changes compared to the prior year</li> <li>Used PwC as an auditors expert to assess actuary and assumptions made by actuary – as set out below</li> </ul> <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.75%</td><td>4.75 for all employers</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>3.0%</td><td>3.15% - 3.3%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.5%</td><td>0.5% to 2.5% above pension increase rate</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22.2/21.5</td><td>Confirmed consistent</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.7/24.3</td><td>Confirmed consistent</td><td>●</td></tr> </table> <ul style="list-style-type: none"> <li>Sought explanations directly from the actuary for queries arising from review of the 2021/22 valuation and underlying assumptions.</li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Reviewed the reasonableness of the Council's share of LGPS pension assets.</li> <li>Assessed the adequacy of disclosure of estimate in the financial statements</li> </ul> <p>Our work in this area is complete.</p> <p>We have carried out additional audit procedures in relation to IFRIC 14. See pages 13 and 14 of this report. A material amendment is required in the financial statements as follows:</p> <p>Increase net pension liability £14.2m and corresponding entry to Pension Reserve.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75 for all employers	●	Pension increase rate	3.0%	3.15% - 3.3%	●	Salary growth	3.5%	0.5% to 2.5% above pension increase rate	●	Life expectancy – Males currently aged 45 / 65	22.2/21.5	Confirmed consistent	●	Life expectancy – Females currently aged 45 / 65	25.7/24.3	Confirmed consistent	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.75%	4.75 for all employers	●																								
Pension increase rate	3.0%	3.15% - 3.3%	●																								
Salary growth	3.5%	0.5% to 2.5% above pension increase rate	●																								
Life expectancy – Males currently aged 45 / 65	22.2/21.5	Confirmed consistent	●																								
Life expectancy – Females currently aged 45 / 65	25.7/24.3	Confirmed consistent	●																								

## Assessment

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- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates


Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Debtors credit loss allowance - £11.6m (prior year - £6.5)</b> Of the £11.6m, £9.7m relates to residential and non-residential debt.	<p>Following a recommendation from the 21/22 audit the finance team have reviewed the calculation of credit loss allowance for the 22/23 financial year.</p> <p>The Council includes a credit loss allowance against outstanding debtor balances. The level of credit loss allowance for residential and non- residential debt is calculated on the following basis:</p> <p>A) Review of specific balances requiring provision</p> <p>B) Residential and non residential social care debt</p> <p>Less than one year old – 50% provision (prior year 5%)</p> <p>1-2 years old – 70% provision (prior year 25%)</p> <p>Over 2 years old – 90% provision (prior year 50%)</p>	<p>Based on our own review of the level of outstanding debtor balances we have concluded that there is unlikely to be a material misstatement in the total credit loss allowance figure as at 31 March 2023.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

### Assessment





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



## 2. Financial Statements - key judgements and estimates





Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) - £6.1m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>During 2020/21 the Council changed the basis of calculation of the MRP from a 4% reducing balance approach for supported borrowing to a 40 year straight line basis. The Council considered that this represented a more appropriate approach. The total amount of MRP payable was not affected by this change but it did mean a reduction in the charge in earlier years compared to the previous reducing balance approach. This change was approved by full Council at their meeting on 25 February 2021.</p> <p>The year end statutory MRP charge was £6.1m, which is in line with the MRP statutory charge in 2021/22 of £6.2m. We noted in 21/22 that an additional voluntary MRP provision was made of £12m funded from revenue and reserves balances in order to reduce the capital financing requirement and the Council's need to borrow in order to save future capital financing costs.</p> <p>The CFR as at 31 March 2023 was £207.8m, compared to a total debt of £264.3m long term and £3.7m short term. As such the Council was "overborrowed" by £60m at 31 March 2023. Full reporting of the position has been made by the Council in its Treasury Management Strategy and updates. The current 2023-27 MTFS includes an increase in prudential borrowing to fund the four year capital programme, including new major infrastructure projects. This will increase the CFR. However, due to the level of cash balances held the authority does not expect to need to raise external borrowing to fund the requirement and instead use internal cash balances. As a result, and using the latest forecasts in the draft MTFS 24-28, the overborrowed position is forecast to reduce to £18m as at 31.3.24 and revert to an under-borrowed position of £25m as at 31.3.27 and £55m under-borrowed by the end of the MTFS, 31.3.28.</p>	<p>We reviewed whether:</p> <ul style="list-style-type: none"> <li>the MRP had been calculated in line with the revised policy</li> <li>the calculations to support the 40 year estimated average remaining useful lives of assets were reasonable and supported.</li> <li>The 'over borrowed' position has been fully reported to Council and the reasons for the short term position have been explained together with the strategy in the short term to reverse this overborrowed position.</li> </ul> <p>Based on the above assessment we consider that management's estimate is reasonable and the 'over borrowed' position has been fully disclosed to Council together with the reasons which have led to the position and the way forward.</p>	 Light purple

### Assessment





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

## 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating				Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	
Fusion Cloud Services (finance and HR)	ITGC assessment (design and implementation effectiveness only)					Management override of controls (Journals)	N/A

### Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial Statements: 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Governance Committee. 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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the the Council's arrangements in respect of Equal Pay , which is set out at Appendix G .
Confirmation requests from third parties	We requested from management permission to send confirmation requests to those organisations with which it banks, borrows and in which it invests. This permission was granted, and the requests were sent. We have received all relevant confirmations requested.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. With the exception of Property, Plant and Equipment , where our work is ongoing we have found no other ,material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	<p>The 2022/23 audit has progressed at a faster pace than prior years but it has still taken longer than expected. We are aware this extended through the budget setting window of the Council which we appreciate is a challenging time and puts competing demands on finance staff. We have encountered some delays in relation to the quality of initial evidence provided to support income and expenditure transactions. This was escalated to senior finance team members who responded promptly to the issues raised.</p> <p>The Land and Building valuation process has been problematic throughout the audit with the final valuation report being provided to the council in April 2024 . This has incurred significant additional resource for the audit team and the Council's own staff.</p> <p>Moving forward, we will review, in detail, the 2022/23 audit process alongside the Council and agree how the 2023/24 audit timeline and procedures can be amended to ensure the audit is completed as efficiently as possible.</p>

## 2. Financial Statements: other communication requirements



### 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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<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>Inconsistencies have been identified in respect of the Pension Fund Financial Statements which have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix I</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<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. As the Council does not exceed the stipulated thresholds this work is not required.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022/23 audit of Leicestershire County Council in the audit report, as detailed in Appendix I.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



## Our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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 detailed in Appendix F.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).



# 4. 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 date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

These services are consistent with the Council’s policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees

Service	Fees £	Threats identified	Safeguards
Audit related			
21/22 Certification of Teachers Pension Return	£5,500	Self-Interest (because this is a recurring fee) Self Review	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fees for this work in comparison to the total fee for the audit 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.  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.  To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
22/23 Certification of Teachers Pension Return	£10,000	Management	
Local Transport Agreed Upon Procedures	£15,000		

# 4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

# B. Action Plan – Audit of Financial Statements

We have identified eight 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 2023/24 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
● High – Significant effect on financial statements	<p>Asset register and valuations process housekeeping</p> <p>A number of areas have been identified in relation to the processing of capital accounting entries in the Council’s Fixed asset register (FAR) and also the valuations process. The process is currently over complicated and some accounting practices result in additional audit time being incurred to validate/understand the logic of transactions. Examples include:</p> <ul style="list-style-type: none"><li>Assets are valued at 1<sup>st</sup> October rather than the year end. This requires additional reconciliation processes to agree the fixed asset register back to the valuation report and to consider the movements in values from to the year end. This is also not consistent with most other local authorities who arrange for valuations to be completed at the year end.</li><li>capital additions and assets under construction brought into use in year are processed as a manual adjustment to the fixed asset register as at 31 March 2023 and then revalued in the following financial year. As at 31<sup>st</sup> March these assets are therefore carried at historic cost, which is not in accordance with the Code.</li><li>finance leased assets are not included in the FAR and are processed as a manual adjustment to arrive at the figures to be included in the financial statements.</li><li>In the draft financial statements presented for audit £53.7m has been included in the financial statements at historic cost relating to land and building which should in accordance with the CIPFA code be subject to revaluation.</li></ul>	<p>The Councils needs to simplify its capital accounting processes. In particular:</p> <ul style="list-style-type: none"><li>For those assets not revalued as at 31<sup>st</sup> March the Council will need to satisfy itself that the carrying values of these assets are not materially different to the fair values. We strongly recommend the council aligns its valuation date to the year end. This consideration would then no longer be required.</li><li>capital additions and AUC should be processed in the FAR throughout the year and form part of the revaluations process to ensure the carrying values at 31.3.23 are accurate.</li><li>finance leased assets should be included in the FAR.</li><li>land and buildings which are subject to formal revaluation per the CIPFA Code should not be included in the accounts at historic cost but should be revalued in line with the Code requirements.</li></ul> <p><b>Management response</b></p> <p>Agreed.</p> <p>The Council will work through the recommendations made during 2024 to improve processes. The Council will need to consult with its new external valuers the practicality of providing asset valuations (for both scheduled valuations and in year additions) as at 31 March and having time to complete the necessary checks and update its ledgers in time to produce draft accounts. The Council has a significant number of assets which makes this task very difficult in the time available.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium – Limited Effect on financial statements</p>	<p><b>Valuer Terms of Engagement</b></p> <p>It is a mandatory requirement under the RICS valuation guidance for the Council's valuer to prepare Terms of Engagement documents for any valuation completed. Outline instructions were issued by the Council to the Valuer and whilst there is no reason to suggest that the valuation process will not be in line with the guidance for the instruction element we are of the view that the Valuers should prepare a formal Terms of Engagement document prior to commencement of their work which the Council should review and sign up to ensuring that work is completed as required.</p>	<p>The Council should ensure that formal Terms of Engagement are in place and received from the Council's valuer prior to commencement of the valuations process.</p> <p><b>Management response</b></p> <p>Agreed – this will be implemented with the new External Valuer contract commencing for the 2023/24 valuations.</p>
<p>●</p> <p>Medium – Limited Effect on financial statements</p>	<p><b>Useful economic lives</b></p> <p>The Council has undertaken a review of all nil NBV assets during 22/23. This review has identified £5.4m of assets which were either no longer in use or had been scrapped. This value has therefore been processed as disposals in 22/23 therefore removing the gross carrying amount and the related accumulated depreciation. The residual balance of Nil NBV assets of £8.9m has been confirmed to relate to assets which are still being used. Our sample testing of this balance identified further assets which should have been treated as a disposal. This has no impact on PPE balances overall and is not a material value however it does indicate a weakness in the Councils current review process.</p> <p>This would suggest that the Council's accounting policy in relation to useful economic lives is not in line with what is happening in practice and therefore depreciation charges are not being spread across financial years correctly.</p>	<p>The Council should seek to extend the useful economic lives of assets as detailed in their accounting policy to mirror the actual length of time that assets are being used.</p> <p>The council also needs to review the £8.9m nil nbv assets and ensure all necessary adjustments are made to the asset register.</p> <p><b>Management response</b></p> <p>Agreed – this will be reviewed.</p>
<p>●</p> <p>Medium – Limited Effect on financial statements</p>	<p><b>VAT treatment</b></p> <p>Three errors have been identified when testing Operating Expenditure and Agency costs relating to the incorrect inclusion of VAT on accruals. Whilst we are satisfied this is not a material issue the Councils should ensure, when calculating accruals, VAT is considered appropriately.</p>	<p>The Council should review its processes in relation to accounting for VAT and ensuring expenditure is accounted for in the correct financial year.</p> <p><b>Management response</b></p> <p>Agreed – additional advice on this will be provided to budget managers as part of the year end guidance.</p>

## Controls

● High – Significant effect on financial statements

● Medium – Limited Effect on financial statements

● Low – Best practice

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# B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
<p>● Medium – Limited Effect on financial statements</p>	<p><b>Over borrowed position</b></p> <p>The Council's narrative statement makes reference to the Council's overborrowed position which under the Prudential Code is permitted in the short term. Our benchmarking has identified that the Council's external debt as a percentage of CFR is 125% which put the Council outside of our expected range. We acknowledge that the current overborrowed position of £54m has been reported fully by the Council in its Treasury Management Strategy and the expected position will revert to an under borrowed position over the medium term.</p>	<p>The Council need to ensure the overborrowed position continues to be a short term position and that as the Treasury Management Strategy suggests that the position is reversed in the short term.</p> <p><b>Management response</b></p> <p>Agreed – the draft MTFS and TMSS for 2024-28 shows the position being temporary and reverting to an under-borrowed position within the MTFS period.</p>
<p>● Medium – Limited Effect on financial statements</p>	<p><b>Clearance of old reconciling items within control accounts</b></p> <p>Our testing of creditors identified 2 payroll pay over control accounts with balances which could not be reconciled to supporting evidence. The differences which could not be substantiated were below our trivial threshold at £120k and £140k. Our enquiries with the Council have confirmed that these differences relate to prior years and require investigation and possible write off. The risk is if such differences continue to be carried forward the balance will grow and any reasons for the differences will become more difficult to identify.</p> <p>We also identified a series of cumulatively trivial variances within the Council's School bank reconciliations.</p>	<p><b>Control accounts should be reviewed and any old balances written off rather than keep carrying these differences forward.</b></p> <p><b>Management response</b></p> <p>Agreed, work is continuing to review the balances. Action will be taken to resolve these by year end (31.3.24).</p>
<p>● High – Significant effect on financial statements</p>	<p>The Council has recorded rental income in the 2022/23 financial statements that pertains to future accounting periods. The reasons provided for such recording suggest that the focus is on including four quarters of invoices within the financial statements, irrespective of the period to which the income pertains.</p> <p>This is an incorrect application of the accruals concept.</p>	<p>The Council should undertake a review of this matter and ensure that it is not a more widespread issue across the Council. If deemed necessary, training should be revised to ensure that key accounting concepts are applied consistently, not only at year-end but throughout the financial year.</p> <p><b>Management response</b></p> <p>Action has already been taken to address this issue and additional advice will be provided to all budget managers as part of the year end guidance.</p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice



# B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Low – Best Practice	<p><b>Immaterial balances – supporting notes</b></p> <p>The accounts include a number of immaterial balances where a supporting note has been included. E.g. surplus assets, investment properties and inventories.</p>	<p>The Council should consider removing notes relating to immaterial balances to ‘de-clutter’ its accounts.</p> <p><b>Management response</b></p> <p>The Council will review as part of the production of the 2023/24 financial statements.</p>
<p>●</p> <p>Medium – Limited Effect on financial statements</p>	<p><b>Payables and receivables disclosures</b></p> <p>Payable and receivable disclosures within the notes to the financial statements are not compliant with the CIPFA code. They add no information for the reader in their current format.</p>	<p>The councils should review its disclosures and ensure they are code compliant.</p> <p><b>Management response</b></p> <p>The Council will review as part of the production of the 2023/24 financial statements.</p>
<p>●</p> <p>Medium – Limited Effect on financial statements</p>	<p><b>Pooled budget arrangements disclosures</b></p> <p>The current pooled budgets disclosure does not clearly document the actual impact on the Council’s accounts of being involved in the arrangement.</p>	<p>The Council should add sufficient detail to enable the reader to clearly see that impact on the Council’s financial statements of the pooled budget arrangements disclosed.</p> <p><b>Management response</b></p> <p>The Council will review as part of the production of the 2023/24 financial statements.</p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Leicestershire County Council's 2021/22 financial statements, which resulted in 9 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note five are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Timing of the derecognition of academy schools</b></p> <p>Our testing has identified that there is have been delays in the removal of two academy schools from the Council's asset register on conversion to academy status. This relates to the build of the schools and the management of assets under construction. This has resulted in disposals being recorded in the incorrect financial year.</p> <p><b>Recommendation</b></p> <p>The Council should implement processes to ensure that schools are derecognised promptly on their conversion to academy status.</p>	<p>Processes have been updated and our audit work in 22/23 has checked that academy conversions in 22/23 have all been processed correctly and derecognised in the correct year.</p>
X	<p><b>General ledger coding structure</b></p> <p>The Council ledger structure is also set up in such a way that for many balance sheet codes, separate debit and credit codes are maintained. This leads to sometimes significant balances building up on codes where have not always been cleared down promptly. It should consider whether the c54,000 code combinations that it uses are needed.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>The Council should review the need to maintain separate debit and credit ledger codes for account balances. Where they are required for reconciliation purposes the Council should ensure that they are cleared down regularly, as a minimum every financial year.</li> <li>We have agreed to review this area with officers post audit.</li> </ul>	<p>This recommendation was raised in March 2023 so it was too late to be implemented for 22/23. The findings for 22/23 are consistent with 21/22 noting that the Council's ledger contained 5.3 million lines of data which is significantly higher than other comparable Councils. The size and volume of data being processed at the Council therefore results in additional audit time and procedures to understand the data and cleanse the data appropriately in order to test balances in the most efficient way.</p> <p>The recommendation therefore has not yet been addressed and will continue to be reported.</p> <p><b>Management update 2022/23</b></p> <p>The Council will continue to review this area and look further into the overall volume of transactions used. The Council uses a fully integrated modern cloud based ERP system with many integrated Oracle modules, and external feeder systems posting at detailed level, to manage its various and complex service areas. This supports detailed budget monitoring, and reconciliation of its balance sheet and system control accounts.</p>

## Assessment

✓ Action completed

X Not yet addressed

# C. Follow up of prior year recommendations (Continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Income and expenditure gross balances</b></p> <p>Our review of income and non pay expenditure transaction populations identified a significant volume and value of gross debits and credits included in populations due to the way the Council uses journals to reallocate costs and income between cost centres.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"><li>• The Council could reduce the level of audit input required in these areas by “cleansing” populations prior to audit to ensure that only those transactions which directly impact on the financial statements are included in populations provided for audit.</li><li>• We have agreed to review this area with officers post audit.</li></ul>	<p>This recommendation was raised in March 2023 so it was too late to be implemented for 22/23. The findings for 22/23 are consistent with 21/22 noting that the Council’s ledger contained 5.3 million lines of data which is significantly higher than other comparable Councils. The size and volume of data being processed at the Council therefore results in additional audit time and procedures to understand the data and cleanse the data appropriately in order to test balances in the most efficient way.</p> <p>The recommendation therefore has not yet been addressed.</p> <p><b>Management update 2022/23</b></p> <p>The Council will continue to review this area and look further into the overall volume of transactions used. The Council uses a fully integrated modern cloud based ERP system with many integrated Oracle modules, and external feeder systems posting at detailed level, to manage its various and complex service areas. This supports detailed budget monitoring, and reconciliation of its balance sheet and system control accounts.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Use of a large number of ledger codes within debtor and creditors</b></p> <p>The Council's ledger includes a large number of codes which make up the year end debtor and creditor figures. The approach taken by the Council is to maintain separate debit and credit ledger codes for transactions such as payroll and VAT postings. This leads to large debit and credit balances on the ledger and requires a review by Council officers to ensure that balances are netted off where required in preparing the financial statements.</p> <p><b>Recommendation</b></p> <p>The Council should</p> <ul style="list-style-type: none"> <li>review the need to maintain a high number of separate ledger codes within debtors and creditors</li> <li>Establish a clear framework setting out which codes can be netted off when preparing financial statements and which codes need to be presented gross.</li> </ul> <p>We have agreed to review this area with officers post audit.</p>	<p>This recommendation was raised in March 2023 so it was too late to be implemented for 22/23. The findings for 22/23 are consistent with 21/22 noting that the Council's ledger contained 5.3 million lines of data which is significantly higher than other comparable Councils. The size and volume of data being processed at the Council therefore results in additional audit time and procedures to understand the data and cleanse the data appropriately in order to test balances in the most efficient way.</p> <p>The recommendation therefore has not yet been addressed.</p> <p><b>Management update 2022/23</b></p> <p>The Council will continue to review this area and look further into the overall volume of transactions used. The Council uses a fully integrated modern cloud based ERP system with many integrated Oracle modules, and external feeder systems posting at detailed level, to manage its various and complex service areas. This supports detailed budget monitoring, and reconciliation of its balance sheet and system control accounts.</p>
✓	<p><b>Reconciliation of ledger codes</b></p> <p>Our audit testing identified one creditors code which had not been fully reconciled for some time, and included postings dating back to 1996.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>The Council should ensure that full reconciliations are undertaken on all ledger codes and old balances cleared as appropriate.</li> <li>We have agreed to review this area with officers post audit.</li> </ul>	<p>The creditors code has now been fully reconciled and brought up to date for year end, 31.3.23.</p> <p>All balance sheet codes are subject to quarterly review.</p>

## Assessment

✓ Action completed

X Not yet addressed

# C. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Derecognition of plant and equipment assets on disposal</b></p> <p>Testing of a sample of fully depreciated assets identified a number which had been disposed of or written off but were still included on the fixed asset register. As a result gross cost and depreciation are potentially overstated.</p> <p><b>Recommendation</b></p> <p>The Council should</p> <ul style="list-style-type: none"> <li>• implement processes to ensure that plant and equipment assets disposed of or written off are removed from the fixed asset register promptly, and</li> <li>• Review the current fixed asset register to identify any further assets still held on the fixed asset register which have been disposed of or written off.</li> </ul>	<p>We have closed this prior year recommendation but raised a linked current year recommendation in appendix B.</p> <p>The Council has undertaken a review of all nil NBV assets during 22/23. This review has identified £5.4m of assets which were either no longer in use or had been scrapped. This value has therefore been processed as disposals in 22/23 therefore removing the gross carrying amount and the related accumulated depreciation. The residual balance of Nil NBV assets of £8.9m has been confirmed to relate to assets which are still being used. Our sample testing of this balance identified further assets which should have been treated as a disposal. This has no impact on PPE balances overall and is not a material value however it does indicate a weakness in the Councils current review process.</p> <p>This would suggest that the Council's accounting policy in relation to useful economic lives is not in line with what is happening in practice and therefore depreciation charges are not being spread across financial years correctly.</p>
✓	<p><b>Calculation of the debtors credit loss allowance</b></p> <p>Our discussions with finance staff indicate that this policy has been applied for a number of years without amendment. We requested evidence to support the validity of the percentages used such as evidence on actual levels of debt write offs/recoverability but the Council has been unable to provide this level of evidence to support the reasonableness of the percentages used.</p> <p><b>Recommendation</b></p> <p>The Council should review the basis of calculation of the credit loss allowance to ensure that it is based on current, reliable data on the level of credit losses expected.</p>	<p>The Council as a result of this recommendation has reviewed its formal policy in relation to the credit loss allowance and has as a result revised the percentages used. We have reviewed and tested the reasonableness of the policy and calculations and have not identified any further issues.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Journal authorisation</b></p> <p>We note that journals below £20,000 are not authorised. While the value is below materiality (c.£5m) we consider that this is a control weakness and that all journals should be reviewed and authorised.</p> <p><b>Recommendation</b></p> <p>The Council should ensure that all journals are reviewed and approved by an independent officer.</p>	<p>We have completed targeted audit testing around authorisation and as in the prior year we have identified that all journals below £20,000 do not require authorisation. We have noted that all such journals are restricted to being posted by specific finance officers in the Central Technical Accounting Team which has been confirmed by our testing completed. The total value of such journals is £4.583m and therefore the risk is not material.</p> <p>We will continue to recommend that all journals should be reviewed and authorised as we consider that this is a control weakness.</p> <p><b>Management update 2022/23</b></p> <p>A review will be undertaken to assess the impact of the change. Internal Audit will also be asked to review a sample of journals as part of their annual assurance work.</p>
X	<p><b>Mass migration journals</b></p> <p>The Council undertakes periodic (usually monthly) journal postings in which the Council transfers the totals for each department to the general fund. In addition, allocations are also used to allocate balances on Reserves, Provisions and other technical control accounts, (used to show the in year movements on those accounts), to their balance sheet codes. These postings are undertaken to balance the balance sheet on a regular basis in order to produce its monthly accounts. The extent of these postings not only increases the volume of transactions but also the risk that there may be errors in amounts and account codes as these are copied from system reports by the corporate finance team</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>The Council should review its use of journals and monthly closedown procedures to ensure that its processes continue to be appropriate.</li> <li>We have agreed to review this area with officers post audit.</li> </ul>	<p>For journal testing completed this continues to be the case in 22/23. The extent of these postings not only increases the volume of transactions but also the risk that there may be errors in amounts and account codes as these are manually typed in by the finance team.</p> <p>We will continue to recommend that the Council reviews its use of journals and monthly closedown procedures to ensure its processes continue to be appropriate.</p> <p><b>Management update 2022/23</b></p> <p>The Council will continue to review this process and look to automate it within the system where possible</p>

## Assessment

✓ Action completed

X Not yet addressed

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# D. 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.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet £m	Impact on total net expenditure £m
<b>22/23 Land and building valuation adjustment</b> A number of issues have been identified throughout the testing of 22/23 Land and Building valuations. This has resulted in a Prior Period Adjustment as detailed separately below however, there are other adjustments which relate to 22/23 only. Further detail is included on page 10.	Increase total expenditure by £7.2m and reduce surplus on revaluation of PPE by £2m	Reduce Property, Plant and Equipment by £9.2m	Increase net expenditure by £7.2m . (This is reversed out Via MIRS and has no impact on the Councils General Fund balance)
<b>Prior period adjustment – Land and Buildings</b> Our testing of land and buildings valuations identified a number of issues, the most significant being in relation to Schools Land and Buildings. This has resulted in a Prior Period Adjustment of £40.1m, reducing the Council's asset valuation as at 31 March 2022 by £40.1m with opposite entry impacting on the Councils revaluation reserve. This does not have any impact on the Council's General Fund Balance. Further detail is provided below.		Reduce opening land and building values by £40.1m Reduce opening revaluation reserve by £28.4m Reduce opening capital adjustment account by £11.7m	Nil no impact on the (Surplus)/ deficit on provision of services
<b>Revaluation reserve difference between Fixed asset Register (FAR) and General Ledger (GL)</b> The Council has identified that the revaluations reserve recorded in its FAR is £1.8m lower than that recorded in the GL. This is a historic difference the Council has amended in the current financial year.		Debit Revaluation reserve £1.8m Credit Capital Adjustment Account £1.8m	Nil no impact on the (Surplus)/ deficit on provision of services
<b>IFRIC 14</b> The draft financial statements show a net pension liability of £20.4m. It has been identified that the Council has incorrectly offset a pension liability relating the Teachers unfunded liability position with a pension asset of the LGPS. As there is a net pension asset for LGPS the Council is required to consider the requirements of IFRIC 14. The council has received a IFRIC 14 report from their Actuary and determined the asset ceiling will apply and as such will be showing a nil asset. The Council's net pension liability has therefore increased by £14.2m to £34.6m.		Increase Pension fund net liability £14.2m. Increase Pension reserve by £14.2m	Nil no impact on the (Surplus)/ deficit on provision of services



# D. Audit Adjustments (continued)



### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Corporate governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet£m	Impact on total net expenditure £m	Reason for not adjusting
<b>Assets not valued uncertainty</b>  The Council has a number of assets which have not been revalued by the Council's valuer in the current audit year. We have reviewed the carrying values of these assets to assess whether these are materially different to the fair value. This exercise has identified there is an uncertainty of £1.813m and the carrying value estimate could be overstated by this amount.		Credit PPE OLB £1.4m  Debit RR £1.4m		Estimation uncertainty only
<b>Debtors</b>  Debtors sample testing has identified a transaction relating to rental income which has been billed in advance by the Council totalling £402k which is not a valid debtor. In conjunction with the Council we have isolated all rental invoices and quantified this error within the debtors population. The resulting error is that debtors and income are overstated by £1.358m.	Debit income £1.358m	Credit Debtors £1.358m	Income overstated £1.358m	Not material

# D. Audit Adjustments (continued)



## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. We are satisfied

Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet £m	Impact on total net expenditure £m	Reason for not adjusting
Overstatement of pension liability	0	Dr Pension liability - £2.3m Cr Pension reserve - £2.3m	0	Not material
Potential understatement of debtors credit loss allowance	Dr Operating expenditure - £2.0m	Cr Debtors - £2.0m	Dr Operating expenditure - £2.0m	Not material
Derecognition of academy schools in the incorrect financial year	Cr Loss on disposal of assets - £8.4m	No impact on position at 31 March 2022	Cr Loss on disposal of assets - £8.4m	Not material
Potential overstatement of debtor balances due to subsequent issue of credit notes	Dr income £1.0m	Cr Debtors £1.0m	Dr income £1.0m	Not material
Movement on valuations on assets not revalued in 2021/22		Dr land and buildings - £2.8m Cr revaluation reserve - £2.8m		Uncertainty – adjustment not expected
<b>Overall impact</b>	Dr Operating expenditure - £2.0m Cr Loss on disposal of assets - £8.4m Dr income £1.0m	Dr Pension liability £2.3m Cr Debtors - £3.0m Dr Land and buildings - £2.8m Cr reserves - £5.1m	CIES net impact – Cr £5.4m	

# D. Audit Adjustments

## 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/issue/Omission	Auditor recommendations	Adjusted?
<b>General</b> A small number of minor amendments were made to correct typing errors, page numbering and incorporate additional narrative information. We do not deem these significant enough to bring to the attention of those charged with governance.  There are rounding differences throughout the accounts.	<p>Typographical errors should be amended</p> <p>The Council should add a statement within its Accounting Policies disclosing there are a number of rounding differences of +/- £0.1m within totals due to the accounts being to the nearest £0.1m</p>	Yes
<b>Pension Fund accounts</b> The Council includes the Pension Fund Accounts within its financial statements. A number of the tables within these were showing as 'error! Reference source not found'.	The Council need to ensure that all error references are updated to mirror the final figures and narratives as disclosed in the audited Leicestershire County Pension Fund Accounts 2022/23.	Yes
<b>Expenditure and funding analysis Note 2(a)</b> In the table showing the adjustments between funding and accounting basis the Council has included £15.8m for central items relating to adjustments for pensions purposes within the 'Net cost of Services' section in error. This entry should be included in the 'Other income and expenditure from the EFA line'	Move £15.8m from the central items line in Note 2(a) to the 'Other Income and expenditure from the EFA' line.	Yes
<b>Financial statements disclosures</b> Net pension liability disclosures within the draft financial statements are not compliant with the CIPFA code. Where there are funded and unfunded elements, these should be separately disclosed.	Funded and unfunded elements are to be disclosed separately	Yes
<b>Note 23 Short term debtors</b> Per IAS 1 para 78 and CIPFA Code Para 3.4.2.67 receivables disclosed should be disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts. The Council's current disclosures are not code compliant	<p>The Council need to amend note 23 – Short Term debtors to comply with IAS1 Para 78 and the CIPFA Code 3.4.2.67.</p> <p>Management response</p> <p>The Council will review as part of the production of the 2023/24 financial statements.</p>	No

# D. Audit Adjustments

## Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p><b>Note 26 Short term creditors</b></p> <p>Per IAS 1 para 78 and CIPFA Code Para 3.4.2.64 creditors disclosed should be disaggregated into appropriate sub classifications. The Council's note does not include any sub classifications.</p>	<p>The Council need to amend note 26 – Short Term creditors to comply with IAS1 Para 78 and the CIPFA Code Para 3.4.2.64.</p> <p><b>Management response</b></p> <p>The Council will review as part of the production of the 2023/24 financial statements.</p>	No
<p><b>Pooled Budgets Note 31</b></p> <p>The current pooled budgets disclosure does not clearly document the actual impact on the Council's accounts of being involved in the arrangement.</p>	<p>The Council should add sufficient detail to enable the reader to clearly see that impact on the Council's financial statements of the pooled budget arrangements disclosed.</p> <p><b>Management response</b></p> <p>The Council will review as part of the production of the 2023/24 financial statements.</p>	No
<p><b>Related Party Disclosures Note 37</b></p> <p>Two related party transactions disclosed by the Council do not meet the criteria set in IAS 24 as the individuals do not have significant influence and control over the other entities.</p>	<p>The Council should remove the 2 individuals from the related party disclosure which do not meet the requirements of IAS24.</p>	Yes
<p><b>Note 47 Accounting policies (6. Assets under construction)</b></p> <p>The current policy is not clear as this states the values included in the accounts are based on actual payments made, which would imply cash accounting which is not correct.</p>	<p>The Council should expand the accounting policy in relation to assets under construction to reflect that the carrying value is based on costs incurred to 31 March 2023.</p>	Yes

# D. Audit Adjustments

## Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p><a href="#">Note 47 Accounting policies (6. Land and Buildings)</a></p> <p>The current policy refers to 'current asset values as of ...1 October 2020' which is incorrect as current valuations are dated 1 October 22.</p>	The Council should amend the land and building policy to refer to 1 October 2022 as the most recent date of valuations of these assets.	Yes
<p><a href="#">Note 47 Accounting policies (6. Assets held for sale)</a></p> <p>The current policy discloses 'The asset is revalued immediately on an open market basis' which needs further details to be added to ensure the basis is clearly disclosed</p>	The Council should add additional detail to this policy to explain that the asset is then carried at the lower of the previous carrying value and FV less costs to sell to ensure policy is clear.	Yes

# D. Audit Adjustments

## Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p><b>Note 20 Financial Instruments</b></p> <p>The original note presented in the draft accounts did not comply fully with the requirements of IFRS9, IFRS7 and IFRS32. In particular:</p> <ul style="list-style-type: none"> <li>-Capital Grants receipts in advance totalling £74m long term and £59.3 short term have been included in error. This also impacts the prior period. Relevant Prior period adjustment disclosures will need to be made in accordance with IAS 8.</li> <li>- Carrying amount of assets and liabilities carried at amortised cost is incorrect and should be changed from <b>£623.8m to £568.3m.</b></li> <li>narrative disclosures are inconsistent with policies and the figures included in Note 20.</li> <li>Disclosures do not make reference to the Pooled Infrastructure valuation method and Capital release funds (NAV) which are level 2 investments.</li> <li>in relation to long term investments carried at Fair Value additional disclosures around exposure to gains and losses.</li> <li>Exposure to credit risk makes reference to 0.3% on the sales ledger which does not link with the credit loss allowance made and the table should be removed also reference to doubtful debts is incorrect.</li> <li>It is currently difficult for the reader of the accounts to identify the link between the balance sheet figures and the Financial Instruments note.</li> </ul>	<p>The Council should review its financial instruments disclosure fully and ensure :</p> <ul style="list-style-type: none"> <li>Disclosures are code complaint</li> <li>There is clear linkage to other disclosures within the financial statements were appropriate</li> <li>Disclosures are clear for the reader of the accounts</li> </ul>	Yes

# E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	75,315	75,315
Additional work on Value for Money (VFM) under new NAO Code	19,000	19,000
Enhanced audit procedures for Property, Plant and Equipment – use of auditors expert	5,000	5,000
Increased audit requirements of revised ISAs 540	6,000	6,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	3,000	3,000
Ledger configuration and reconciliation	7,500	7,500
Infrastructure	2,500	2,500
Payroll – change of circumstances testing	500	500
ISA 315	5,000	5,000
East Midlands Freeport	5,000	5,000
Operating expenditure and fees and charges evidence		1,500
Property, Plant and Equipment 22/23 and PPA		43,425
Financial Instruments restatement and PPA		5,000
Expert Fee		3,000
Receivables extended testing		3,250
IFRIC 14 consideration		4,000
<b>Total audit fees (excluding VAT)</b>	<b>£128,815</b>	<b>£179,000</b>



# E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – 22/23 Teachers Pension Agency return	£10,000	£10,000
<b>Total non-audit fees (excluding VAT)</b>	<b>£10,000</b>	<b>£10,000</b>

The fees reconcile to the financial statements as follows :

- fees per financial statements – annual audit £179,000 per previous page
- Total fees per updated financial statements -£179,000 (extract below)
- Teachers pensions Agency return £10,000 under separate engagement

Local Transport plan fee of £15,000 will be accounted for in the 23/24 financial year.

## Note 34: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts:

2021/22 £		2022/23 £
	<b>Fees payable to external auditor:</b>	
139,777	Annual audit	179,000
6,917	Other services provided during the year	10,000
<b>146,694</b>	<b>Total</b>	<b>189,000</b>

None of the above services were provided on a contingent fee basis.

The final audit fee will be invoiced following PSAA approval.

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

# G. Management Letter of Representation

## Date – To be confirmed

Dear Grant Thornton

## Leicestershire County Council

### Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Leicestershire County Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council's financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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.

- 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable 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. **The prior period adjustments disclosed in Note 8 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.**
- viii. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- ix. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council have been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- x. 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.
- xi. 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.

# F. Management Letter of Representation (continued)

- xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report, including unadjusted disclosure items. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council. The financial statements are free of material misstatements, including omissions.
- xiv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvi. We have updated our going concern assessment. 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:
  - a. the nature of the Council means that, notwithstanding any intention to cease the Council's operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

- xvii. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:

- a. The Hay Job Evaluation system (which is used across jobs in the Council's main pay grade structure) continues to ensure that there is no significant discrimination in basic pay. This provides significant reassurance that Leicestershire County Council provides fair pay and reward to Council employees.

- b. We conduct an equal pay audit every three years.

- xvii. We have undertaken a review of all operational Council buildings for instances of reinforced autoclaved aerated concrete (RAAC) and can report that there are no cases of RAAC discovered within any of our maintained schools. However, RAAC was discovered in one vacant office location which has been mitigated following advice from specialist advisors and does not present any significant financial liabilities.

## Information Provided

- xviii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council's 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, from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. 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.

# G. Management Letter of Representation (continued)

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. 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.

xxvi. 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

xxvii. 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

xxviii. 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 20 May 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**



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