

# Leicestershire County Council Audit Progress Report

**Audit progress report and sector update**

20 November 2024



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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 Authority 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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# Introduction

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This paper provides the Corporate Governance Committee with a report on our progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Corporate Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at November 2024

## Financial Statements Audit

We undertook our planning procedures for the 2023/24 audit in February and March 2024.

Our planning work included:

- Obtaining an understanding of the control environment, including performing a walkthrough of controls pertaining to significant risks
- Documenting the business process around significant classes of transactions
- Gaining an understanding of the financial and information systems in place at the Council through our IT general controls procedures
- Review of Internal Audit reports and committee meeting minutes to gain further understanding of any potential issues at the Council
- Understanding how the Council makes material estimates for the financial statements.

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error was identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation of the net defined pension liability.

## Status of areas still outstanding from planning

Our planning procedures are still outstanding in the following areas:

- Obtaining an understanding of the IT General controls.

We have experienced some challenges obtaining access to the data set because of the provision of the service with Nottingham City Council and data protection. With the help of officers this has been resolved, and the work is expected to have concluded by the date of the Corporate Governance Committee.

## Value for Money

Our risk assessment regarding your arrangements to secure value for money has been concluded, and the Auditors Annual Report is a separate agenda item. Our work to date has not identified any risks of significant weakness, however eight improvement recommendations have been raised.

## Financial Statements Audit

At the time of writing this report, the audit is in progress. Progress against the significant risk areas from the Audit Plan (as presented to the Corporate Governance Committee on the 20<sup>th</sup> of May 2024) are summarised below:

- We have completed our journals testing strategy and determined as an engagement team what constitutes a large and/ or unusual journal based on our understanding of the entity. We have assigned appropriate risk levels to the population and performed extractions using our data analytics software to produce a sample of entries for detailed testing. Our work on journals testing is in progress, of the sample of 30 we have received evidence for 26 are awaiting evidence for 4 journals.
- We have evaluated management's processes and assumptions for the calculation of the valuation of land and buildings estimate, the instructions issued to valuation experts and the scope of their work. We have evaluated the competence, capabilities and objectivity of the valuation expert. We have written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met. We have completed our testing strategy and determined as an engagement what constitutes as an unusual movement in line with indices to sample test revaluation made in year. We have observed a 107% increase in the valuation of farms. Our work in this area is not yet complete. We are reviewing the calculations and evidence for the samples.

# Progress at November 2024

## Financial Statements Audit continued...

- We have assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. 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. We have 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. Our work in this area is not yet complete as we have yet to receive and consider the IAS19 report from the Pension Fund Auditor. On receipt of this, we will respond to any issues raised which impact this Council.

- We have for a sample of investments, tested the valuation by independently requesting year-end confirmations from investment managers and reviewing if the fair value hierarchy disclosed in the draft accounts in line with our understanding of the investments. Our work in this area is ongoing we are currently awaiting confirmations from some investment managers to corroborate the sample items we have selected.
- We have obtained the IFRIC 14 assessment provided by the actuary. Our work in this area is largely complete and to date we have no issues to report

We aim to complete the fieldwork and substantive testing by the end of December, to enable the AFR to be reported in January 2025.

Below is a summary of the status for other areas

- We have completed testing on a sample of payments immediately after year end to ensure that appropriate cut off has been applied. Our work in this area is largely complete and to date we have no issues to report
- We have tested a sample of balances included within trade and other payables. Our work in this area is still in progress.
- Tested a sample of expenditure to ensure it has been recorded accurately. Our work in this area is ongoing as we are currently awaiting supporting evidence to corroborate the sample items we have selected.
- Tested on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. Our work in this area is largely complete and to date we have no issues to report
- For other grants we have sample tested items back to supporting information and subsequent receipt, considering accounting treatment where appropriate. Our work in this area is still ongoing.

# Audit Deliverables

Below are the key audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Corporate Governance Committee setting out our proposed approach in order to give an opinion on the 2023/24 financial statements.</p>	20 May 2024	Complete
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Corporate Governance Committee.</p>	24 Jan 2025	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	24 Jan 2025	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on value for money arrangements.</p>	6 Dec 2024	Complete

# Sector Update

# Audit Backstop - update

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice. The legislation has now been passed and all audits prior to 23/24 have a hard 'backstop' date of the 13<sup>th</sup> December. The backstop date for 2023/24 audits is the 28<sup>th</sup> February 2025. As the sector looks to recover, the backstop date will remain at the end of February for the 2024/25 financial statements, but will then gradually come forward, with the aim of moving towards audited accounts being available by the end of November.

## Audit sign off as at 31 May 2024

As at the end of May, we had signed 136 audits for 2022/23, representing 65% of our local government population. We envisage achieving a 75% sign off rate by the end of September. This compares with a sign off rate for other firms at the end of May of 7% (18 audits). If the backstop is extended to the end of the year – we envisage this figure moving to 80% completion.

We had signed off 81% of our 2021/22 audits by the end of May. We envisage achieving an 85% sign off rate by the end of September. Other firms had signed off 48% of audits by the end of May.

Audit year	Grant Thornton audits signed		Other firms
	Position as at end of May 2024 (%)	Forecast position end of Sep 2024 (%)	Position as at end of May 2024 (%)
2022-23	65	75	7
2021-22	81	85	48
2020-21	92	92	81



# Audit Committee resources

**The Audit Committee and organisational effectiveness in local authorities (CIPFA):**

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

**LGA Regional Audit Forums for Audit Committee Chairs**

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email [ami.beeton@local.gov.uk](mailto:ami.beeton@local.gov.uk) LGA Senior Adviser, for more information.

**Public Sector Internal Audit Standards**

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

**Code of Audit Practice for local auditors (NAO):**

<https://www.nao.org.uk/code-audit-practice/>

**Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):**

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

**The Three Lines of Defence Model (IAA)**

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

**Risk Management Guidance / The Orange Book (UK Government):**

<https://www.gov.uk/government/publications/orange-book>

**CIPFA Guidance and Codes**

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

**Audit Committees: Practical Guidance For Local Authorities And Police**

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

**Delivering Good Governance in Local Government**

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

**Financial Management Code**

<https://www.cipfa.org/fmcode>

**Prudential Code**

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

**Treasury Management Code**

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



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