

Leicestershire County Council

Annual Audit Letter

2012/13

Government and
Public Sector

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pwc

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2012/13 audit work for members of the Authority.

We have already reported the detailed findings from our audit work to the Corporate Governance Committee in the following reports:

- Audit opinion for the 2012/13 financial statements, incorporating opinion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Report to those charged with Governance (ISA (UK&I) 260);
- Annual Certification Report (to those charged with governance); and
- Medium Term Financial Strategy Report.

The matters reported here are the most significant for the Authority.

Scope of Work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As an administering Authority of a pension fund, the Authority is also responsible for preparing and publishing Accounting Statements for the Leicestershire Pension Fund. Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we issued in November 2012 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit Responsibility	Results	Audit Responsibility	Results
<i>Perform an audit of the accounts and pension fund accounting statements in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).</i>	▶ We reported our findings to the Corporate Governance Committee on 23 September 2013 in our 2012/13 Report to those charged with governance (ISA (UK&I) 260). On 27 September 2013 we issued an unqualified audit opinion.	<i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i>	▶ There were no issues to report in this regard.
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>	▶ We reported our findings to the National Audit Office on 27 September 2013. We identified no significant issues as part of this work.	<i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i>	▶ There were no issues to report in this regard.
<i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>	▶ On 27 September 2013 we issued an unqualified value for money conclusion.	<i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i>	▶ There were no issues to report in this regard.
<i>Issue a certification report summarising the work we have done in certifying grant claims and returns.</i>	▶ Our certification report for 2012/13 will be issued in early 2014 when this work has been completed. We presented our 2011/12 report to the Corporate Governance Committee in February 2013.	<i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i>	▶ We have not been able to issue our audit certificate because the Leicestershire Pension Fund Annual Report is not required to be completed until December 2013. When this is done we will be in a position to issue our completion certificate.

We issued an unqualified audit opinion on your accounts on 27 September 2013.

We also issued an unqualified value for money conclusion.

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 27 September 2013.

We identified the following key issues:

- The financial statements and the supporting schedules were ready within the agreed timetable. The quality of the working papers and draft accounts were again of a high standard. The finance staff were helpful and co-operative throughout;
- Our work on the systems identified no material weakness, with some minor recommendations reported for action;
- The net pension liability at the balance sheet date was £497.6 million. This represents an increase of £58.8 million on the previous year, largely because of changes in actuarial assumptions;
- The useable reserves at the balance sheet date were £143.7 million, an decrease from £151.8million on the previous year. The Authority will need to continue to monitor the level of reserves and agree an appropriate strategy for their use as part of the Medium Term Financial Strategy; and
- No material errors were found in our work on the accounts. One misstatement was not adjusted. We agreed with officers and the Corporate Governance Committee that this was not material.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2012/13, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment. We issued an unqualified conclusion in respect of the two criteria above.

Our work included a review of the Medium Term Financial Strategy (MTFS), which concluded that:

- The Authority has appropriate project management arrangements in place;
- The scale of the challenge for future years is significant. This is something the Authority recognises;
- A number of prudent assumptions were made in the MTFS when compared to our benchmark average. These are realistic assumptions which will help the Authority to manage financial risk over the next few years;

We identified no issues to report regarding the Annual Governance Statement or Whole of Government Accounts.

- The Audit Commission value for money profile, whilst backwards looking, identifies a number of key areas where the Council is providing value for money services when compared with other County Councils; and
- The Authority has set aside a significant level of earmarked reserves and a contingency to manage future cost pressures. Whilst these are larger than in other similar Authorities, they will be used to deliver future transformation and invest to save schemes.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to

us from our audit work. We found no areas of concern to report in this context.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 27 September. We found no areas of concern to report in this context.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2011/12 to those charged with governance In February 2013. We certified one claim worth £38 million regarding the Teachers' Pension Return. A qualification letter was required to set out the issues arising from the certification of the claim. We will issue the Annual Certification Report for 2012/13 in early 2014.

Our final fees were in line with our original proposals.

Final Fees

Final Fees for 2012/13

We reported our fee proposals in our audit plan. Our actual fees were in line with our proposals. Our fees charged were therefore:

	2012/13 outturn	2012/13 fee proposal	2011/12 final outturn
Audit work performed under the Code of Audit Practice:			
- Statement of Accounts	£112,600	£112,600	£171,000
- Conclusion on arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Leicestershire Pension Fund audit	£27,637	£27,637	£46,000
Certification of Claims and Returns*	tbc	tbc	£9,366
Non Audit Work	£41,000	£41,000	£7,000
TOTAL	£181,237	£181,237	£233,366

We performed work which fell outside of the Code of Audit Practice requirements. Our actual non-audit fees during 2012/13 were £41,000. More details are included in our ISA 260 report which was presented to the Corporate Governance Committee in September 2013.

Our fee for certification of claims and returns is yet to be finalised for 2012/13 and will be reported to those charged with governance within the 2012/13 Annual Certification Report.



In the event that, pursuant to a request which Leicestershire County Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Leicestershire County Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Leicestershire County Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Leicestershire County Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Leicestershire County Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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