

The Audit Findings for Leicestershire County Council and Leicestershire Pension Fund

Year ended 31 March 2019

26 July 2019



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Your key Grant Thornton team members are:

John Gregory

Engagement Lead

T: 0121 232 5333

E: john.gregory@uk.gt.com

Avtar Sohal

Engagement Manager

T: 0121 232 5420

E: avtar.s.sohal@uk.gt.com

Kerry Sharma

Executive

T: 0116 257 5576

E: kerry.sharma@uk.gt.com

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

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicestershire County Council ('the Council') and the Leicestershire Pension Fund ('Pension Fund') and the preparation of the Council's and Pension Fund financial statements for the year ended 31 March 2019 for those charged with governance.

<p>Financial Statements - Council</p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's and Pension Fund's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and Pension Fund and 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. We have identified a £13.1m adjustment to the financial statements in relation to the McCloud judgement which increased the Council's net pension liability and also impacts on the Comprehensive Income and Expenditure Statement.</p> <p>Audit adjustments are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix C or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> • final audit housekeeping steps • receipt of supporting documentation for some outstanding items in our sample testing • receipt of some third party investment confirmations from financial institutions • updating our post balance sheet events review, to the date of signing the opinion • receipt of management representation letter; and • review of the final set of financial statements. <p>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.</p> <p>Our anticipated audit report opinions will be unmodified.</p>
<p>Financial Statements - Pension Fund</p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year ended 31 March 2019; 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 	<p>Our audit work was completed on site during June and July. Our audit of the Fund did not identify any material adjustments to the financial statements but we did request a significant number of improvements to the disclosure notes. Audit adjustments are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix D) or material changes to the financial statements, subject to the following outstanding matters: (continued over)</p>

Headlines – continued

Financial Statements – Pension fund (continued)

- final audit housekeeping steps
- receipt of supporting documentation for some outstanding items in our sample testing
- receipt of some third party investment confirmations from financial institutions
- updating our post balance sheet events review, to the date of signing the opinion
- receipt of management representation letter; and
- review of the final set of financial statements.

Our anticipated audit report opinion will be unmodified..

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements. We have concluded that Leicestershire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources

We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised in the Value for Money section of the report.

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 have completed the majority of work under the Code but are unable to issue our completion certificate until we complete our work on the Whole Government Accounts review. This will be completed in line with national deadlines. We also need to wait until The Pension Fund Annual Report has been produced in line with the national deadline for this, and undertake the necessary work to ensure this is consistent with the audited accounts.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. In this first year of being your auditors, we have sought to discuss issues with your officers early to avoid issues surfacing late, and officers have responded positively to this.

Summary

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 will be discussed with management and 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 and Pension Fund's business and is risk based, and in particular included:

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

We have not had to alter or change our audit plan, as communicated to you on 18 January 2019.

Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing unqualified audit opinions following the Corporate Governance Committee meeting on 26 July 2019, as detailed in Appendices C and D . These outstanding items include are included on page 3 and 4 of this report.

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Matter	Description	Planned audit response to the Council	Planned audit response to the Pension Fund
1	<p>Calculation and determination</p> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Authority and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements.</p> <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – estimate the tolerable level of misstatement in the financial statements – assist in establishing the scope of our audit engagement and audit tests – calculate sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements 	<ul style="list-style-type: none"> • For the Council, we have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. Materiality at the planning stage of our audit was £14m for the Authority. (cost of services). 	<ul style="list-style-type: none"> • For the Pension Fund, we have determined financial statement materiality based on a proportion of the Pension Fund's net assets. Our materiality at the planning stage was £29m which equates to 1% of your actual net assets for the year ended 31 March 2018.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.</p>	<ul style="list-style-type: none"> • For the Council, we have determined a lower specific materiality level of £100K for senior officer remuneration disclosures. 	<ul style="list-style-type: none"> • No lower level materiality
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> • Materiality calculations remain the same as reported in our audit plan 	<ul style="list-style-type: none"> • Materiality calculations remain the same as reported in our audit plan

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Matter	Description	Planned audit response Council	Planned audit response for Pension Fund
4	<p>Matters we will report to the Corporate Governance Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance Committee any unadjusted misstatements of lesser amounts, other than those which are 'clearly trivial', to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> • In our view, an individual difference could normally be considered to be clearly trivial if it is less than £0.7m. • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance Committee to assist it in fulfilling its governance responsibilities. 	<ul style="list-style-type: none"> • In the context of the Pension Fund, in our view an individual difference could normally be considered to be clearly trivial if it is less than £1.45m.

Significant findings – audit risks

Matter	Risks identified in our Audit Plan	Risk relates to	Auditor Comments
1	<p>Fraudulent revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Authority and Pension Fund	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority and the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Leicestershire County Council and Leicestershire Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Leicestershire County Council and Leicestershire Pension Fund</p>
2	<p>Management override of controls</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. The Authority and Fund faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk for both the Authority and Fund, which was one of the most significant assessed risks of material misstatement.</p>	Authority and Pension Fund	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Conclusion</p> <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Risk relates to	Auditor Comments
<p>3 Valuation of Land and Buildings</p> <p>The Authority revalues its land and buildings on a rolling five-yearly basis.. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (NBV of L&B £547million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	Authority	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code have been met challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding tested revaluations made during the year to see if they had been input correctly into the Authority's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value at year end. <p>Conclusion</p> <p>From the procedures carried out we are satisfied that the valuation of land and building in the financial statements is not materially misstated.</p>

Significant findings – audit risks

	Risk relates to	Commentary – Council
<p>4 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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£742m million in the Authority's balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions.</p> <p>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, and a key audit matter</p>	<p>Authority</p>	<p>Auditor commentary</p> <p>We have</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the Council's net pension fund liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and <p>Impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. The LGPS Scheme Advisory Board (with the consent of the Ministry of Housing, Communities and Local Government) commissioned GAD to prepare an assessment of the financial impact of the McCloud judgement on an LGPS scheme-wide basis to inform the financial reporting of participating entities. The report shows the estimates of the cost of the remedy if the LGPS underpin was found to result in unlawful age discrimination.</p> <p>As a result of the ruling we have worked with the Council to consider the implications and as a result the Council have commissioned a further actuarial assessment to include the impact of the case. This resulted in an increase in the net pensions liability recorded in the Council's accounts, with the liability rising from £728.6m to £741.7m. We have carried out additional work locally and nationally to assess the approach and assumptions used by the actuary in providing this updated estimate.</p> <p>Conclusion</p> <p>The Council have adjusted its pensions liability in its financial statements, and our audit procedures have confirmed that it is not materially misstated</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Risk relates to	Commentary – Council
<p data-bbox="72 358 673 415">5 Valuation of Level 3 Investments (Annual revaluation)</p> <p data-bbox="72 444 673 558">The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p data-bbox="72 586 673 758">By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions</p> <p data-bbox="72 786 673 958">Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p data-bbox="72 986 673 1100">We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p data-bbox="673 358 880 386">Pension Fund</p>	<p data-bbox="880 358 1955 386">Auditor commentary</p> <p data-bbox="880 401 1955 429">We have:</p> <ul data-bbox="880 444 1955 722" style="list-style-type: none"> • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date, and reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period. • in the absence of available audited accounts, we evaluated the competence, capabilities and objectivity of the expert on which management relied for the valuation. <p data-bbox="880 736 1955 765">Conclusion</p> <p data-bbox="880 779 1955 829">From the audit testing completed we are satisfied that the Valuation of Level 3 investments is free from material misstatement.</p>

Significant findings – key judgements and estimates (Council)

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £683m	<p>Other land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its Internal Valuer to complete the valuation of properties as at 31 03 19 on a five yearly cyclical basis. £231m out of £547.6m of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £51.2m. Management have considered the year end value of non-valued properties in consultation with the valuer. Management's assessment of assets not revalued has identified no material change to the properties value.</p>	<ul style="list-style-type: none"> The Authority carries out a rolling programme that ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally by qualified Royal Institution of Chartered Surveyors (RICS) qualified Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. Valuation is carried out on a selective on-going basis such that all assets are revalued at least once every five years, and on completion of a capital scheme above £100,000. In addition the top twenty valued assets are valued each year. Asset lives have been reviewed and standardised over the last two years and have been updated within the Asset Register. <p>Conclusion</p> <p>We are satisfied that the revaluations of Land and Buildings have not given rise to material misstatement.</p>	 Green

Assessment

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

Significant findings – key judgements and estimates (Council)

Net pension liability – £741.7m	Summary of management’s policy	Audit Comments	Assessment																								
	<p>Following the adjustment for the McCloud judgement the Council’s net pension liability at 31 March 2019 is £741.7m (PY £589.2m) comprising the Leicestershire Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hyman Robertson to provide actuarial valuations of the Council’s assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have</p> <ul style="list-style-type: none"> Hyman Robertson, an external actuary firm, provide actuarial advice to the Council via the Leicestershire Pension Fund. As such, this involves providing the Council with an actuarial valuation of the pension expense calculations. The scope of the work is to undertake pension expense calculations, as instructed by the Administering Authority, for the Council, for the purposes of complying with IAS 19 (Employee Benefits) for the accounting period. Assessment of management’s expert PwC are employed by the NAO on behalf of external audit suppliers to local government to provide support to auditors when assessing the competence and objectivity of actuaries producing IAS 19 figures in respect of the Local Government Pension Scheme (LGPS). Hyman Robertson have carried out a roll forward approach from previous actuarial valuation to allocate assets and liabilities between employers at triennial valuation. 	 Green																								
		<table border="1"> <thead> <tr> <th data-bbox="789 632 1286 704">Assumption</th> <th data-bbox="1286 632 1442 704">Actuary Value</th> <th data-bbox="1442 632 1597 704">PwC range</th> <th data-bbox="1597 632 1794 704">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="789 704 1286 782">Discount rate</td> <td data-bbox="1286 704 1442 782">2.4%</td> <td data-bbox="1442 704 1597 782">2.4%-2.5%</td> <td data-bbox="1597 704 1794 782" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="789 782 1286 861">Pension increase rate</td> <td data-bbox="1286 782 1442 861">2.5%</td> <td data-bbox="1442 782 1597 861">2.4%-2.5%</td> <td data-bbox="1597 782 1794 861" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="789 861 1286 939">Salary growth</td> <td data-bbox="1286 861 1442 939">3.5%</td> <td data-bbox="1442 861 1597 939">3.4%-3.5%</td> <td data-bbox="1597 861 1794 939" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="789 939 1286 1018">Life expectancy – Males currently aged 45 / 65</td> <td data-bbox="1286 939 1442 1018">23.8 years</td> <td data-bbox="1442 939 1597 1018">23.7- 24.4 years</td> <td data-bbox="1597 939 1794 1018" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="789 1018 1286 1089">Life expectancy – Females currently aged 45 / 65</td> <td data-bbox="1286 1018 1442 1089">26..2 years</td> <td data-bbox="1442 1018 1597 1089">26.2- 26.9 years</td> <td data-bbox="1597 1018 1794 1089" style="text-align: center;">●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.4%-2.5%	●	Pension increase rate	2.5%	2.4%-2.5%	●	Salary growth	3.5%	3.4%-3.5%	●	Life expectancy – Males currently aged 45 / 65	23.8 years	23.7- 24.4 years	●	Life expectancy – Females currently aged 45 / 65	26..2 years	26.2- 26.9 years	●	
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.4%	2.4%-2.5%	●																								
Pension increase rate	2.5%	2.4%-2.5%	●																								
Salary growth	3.5%	3.4%-3.5%	●																								
Life expectancy – Males currently aged 45 / 65	23.8 years	23.7- 24.4 years	●																								
Life expectancy – Females currently aged 45 / 65	26..2 years	26.2- 26.9 years	●																								
		<p>Conclusion</p> <ul style="list-style-type: none"> We are satisfied that the approach of the actuary and values applied are in line with PWC assumptions and that there are no significant outliers. As a result of the McCloud judicial judgement the Council have completed a revised actuarial assessment and have adjusted their financial statements to take into account the valuation. 																									

Assessment

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

Significant findings – key judgements and estimates (Pension Fund)

	Summary of management's policy	Audit Comments	Assessment
Level 3 investments	The Pension Fund has investments in unlisted shares, private equity funds and property which in total are valued on the balance sheet as at 31 March 2019 at £1,362m. These investments are not traded on an open market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management use fund managers who value within industry accepted guidelines. The value of the investment has increased by £119.2m in 2018/19.	<ul style="list-style-type: none"> The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. From the testing carried out we are satisfied that Level 3 investments are appropriately classified and the associated values are free from material statement 	 Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings - Going concern - Council

Our responsibility

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

Going concern commentary - Council

Management's assessment process

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

- There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Councils 's ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date
- The Authority monitor cash flow on a daily basis, including maintaining an up to date forecast position for at least the next 12 months

Auditor commentary

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

The Council have completed their assessment of going concern through their annual Medium Term Financial Strategy (MTFS) which was approved by the County Council on 20 Feb 2019. This covers the next four year period to 2023. This shows managements approach to the impact of significant and ongoing central government reductions in funding. The MTFS shows a balanced budget for 19/20 and 20/21 with a shortfall of £5m in 21/22 rising to £20m in 22/23. However, the MTFS includes plans to achieve the additional savings and income required through new savings under development. The MTFS also includes a contingency of £8m for risks and a contingency for growth of £20m. In addition the Council has sufficient reserves (c.£120m) to mitigate this risk in the medium term.

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

Work performed

We reviewed management's assessment by:

- Ensuring the assessment concurred with our knowledge of the Council
- Reviewing the Medium Term Financial Strategy for 2019 to 2023 which was approved by Council in February 2019

Auditor commentary

- We are satisfied there is no material uncertainty about the Council's ability to continue as a going concern

Concluding comments

Auditor commentary

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

Significant findings - Going concern – Pension Fund

Our responsibility

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

Going concern commentary - Council

Management's assessment process

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

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

Auditor commentary

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

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £3,164 million, were sufficient to meet 76.2% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £989 million. Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a specified time period as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

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

Work performed

We reviewed management's assessment by:

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

Auditor commentary

- The Council's actuary, Hymans Robertson LLP completed the last triennial valuation as at 31 March 2016 and we are satisfied that the Funds Assets were sufficient to meet approximately 76.2% of the liabilities accrued up to that date.
- Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.
- The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Concluding comments

Auditor commentary

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

Other communication requirements

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

	Issue	Commentary
①	Matters in relation to fraud	<ul style="list-style-type: none"> 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.
②	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③	Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
④	Written representations	<ul style="list-style-type: none"> Letters of representation has been requested from the Council and the Pension Fund, and these are included in the Corporate Governance Committee papers.
⑤	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to banks, lenders and investment bodies. This permission was granted and the requests were sent. We are awaiting some of these confirmations from the relevant institutions.
⑥	Disclosures	<ul style="list-style-type: none"> A number of disclosure amendments were made to both the Council and Pension Fund financial statements, as set out in appendix A.
⑦	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management for the Council and the Pension Fund were provided.

Other responsibilities of the Council under the Code

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the Councils audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect (see appendices C and D)</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p> <p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2019 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.</p>
③ 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.</p> <p>As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>Note that work is not yet completed: plans are in place to complete this work in August to meet the submission deadline of 13 September 2019</p>
④ Certification of the closure of the audit	<p>We are unable to certify the closure of the 2018/19 audit of Leicestershire County Council in the audit opinion, as detailed in Appendix C, as a result of the later deadlines for completion of WGA and Pension fund Annul Report work as set out above.</p>

Value for Money

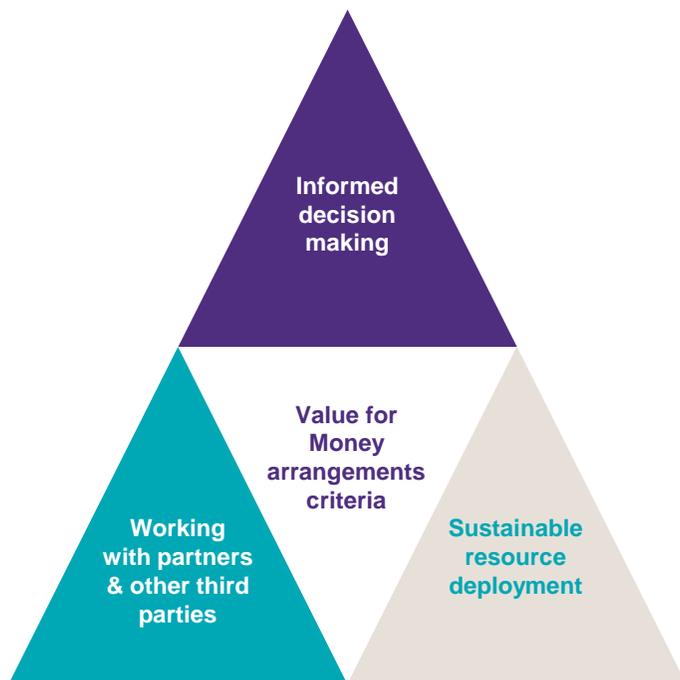
Background to our VFM approach

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

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in January 2019 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated January 2019.

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

Overall Conclusion

Based on the work carried out we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors of the Council and the Pension Fund that we are required or wish to draw to your attention. 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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Audit and Non-audit services

For the purposes of our audit of the Council and the Pension Fund we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and Pension Fund.

We can confirm that for both the Council and the Pension Fund we have not identified any audit related or non audit related services that we have carried out on behalf of the Council or the Fund for the period up until 31 July 2019. We have agreed with the Council we will complete the Certification of 2018/19 Teachers Pension Return, with work to be commence in the Autumn of 2019.

Service	£	Threats	Safeguards
Audit related			
Certification of 2018/19 Teachers Pension Return	5,000 (indicative)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £59,353 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.

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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 2019.

Detail	Comprehensive Income and Expenditure Statement £'000		Balance Sheet £' 000
1 Council - Pension Liability Valuation – McCloud Judgement The actuarial valuation of the pension liability for the Council had to be updated to assess the impact of the McCloud judicial judgement. This has resulted in a material adjustment to the pension liability.	Dr Non Distributed Cost	12,920	Cr Revenue 13,094
	Cr Pension Liability	12,920	Dr Pension Reserve 13,094
	Cr Pension Liability	174	
	Dr Revenue	174	
Overall impact	(£13,094)		£13,094

Audit adjustments - continued

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Council - Note 17 Property, Plant and Equipment	There were a number of classification errors in the Property, Plant and Equipment note which meant that the disclosure did not adequately reflect activity.	We have recommended that the Council make amendments to the Note to adequately reflect the in year activity, and these changes have been made..	✓
Council - Disclosure enhancements	As part of our review of the financial statements we have noted some areas where further disclosures were required in existing notes or there were changes in narrative required to reflect CIPFA code changes for the year ending 31 March 2019	We have recommended some improvements to disclosures in the Council's accounts, none of which are in our view significant enough to need to be drawn individually to the attention of the Corporate Governance Committee, and these changes have been made.	✓
Pension Fund – Disclosure Omissions in Accounting Policies	There were a number of disclosure omissions in the draft financial statements for the pension fund in accounting policies including no policies on <ul style="list-style-type: none"> - Contribution Income - Taxation - Management Expenses - Cash and Cash equivalents - Financial Assets and Liabilities - Actuarial Present Value of Promised Retirement Benefits - Additional Voluntary Contributions - Contingent Assets and Liabilities 	We have recommended that the Council make amendment to the accounting policy to include these omissions to be compliant with reporting requirements set out by the LG code	✓
Pension Fund – Disclosure Omissions in Notes	There were a number of notes that were not included in the draft financial statements including; <ul style="list-style-type: none"> - Critical Judgements in Applying Accounting Policies - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty - Events after the Reporting Date - External Audit Fee 	We have recommended that the Council make amendment to the notes to include these omissions to be compliant with reporting requirements set out by the LG code	✓

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services

Audit Fees

	2017/18 Audit Fee	2018/19 Planned fee	2018/19 Final fee
Council Audit	£76,950	£59,252	£63,752
Pension Fund	£27,637	£21,280	£27,280
Total audit fees (excluding VAT)	£104,587	£80,532	£91,032

The final audit fee represents a year on year reduction of £13,555 across both the Council and Pension Fund.

The proposed planned audit fee reconciles to the financial statements. As part of our audit procedures we have had to carry out further procedures which were not included in the proposed fee for the 2018/19 audit, these are listed below, and are subject to PSAA approval.

Required Additional Audit Work	Description of Work Required	Proposed fee
Council - Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements.	£3,000
Pensions – IAS 19 Letters	We are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Pension Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee of the pension fund.	£6,000
PPE Valuation – work of experts	The Financial Reporting Council has highlighted the need for more in depth work by audit firms in respect of PPE. We have increased the volume and scope of our audit work to reflect this.	£1,500*
Total audit fees (excluding VAT)		£10,500

* Fee in relation to PPE to be confirmed once work fully completed.

Audit opinion – Leicestershire County Council

We anticipate we will provide the Council with an unmodified audit report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leicestershire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

Audit opinion – Leicestershire County Council Continued

controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.

In this authority, that officer is the Director of Corporate Resources. The Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

Audit opinion – Leicestershire County Council Continued

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

And

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019.

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

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

[Signature]

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

Birmingham

[Date]

Audit opinion – Leicestershire Pension Fund

We anticipate we will provide the Pension Fund with an unmodified audit report

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

Opinion

We have audited the financial statements of Leicestershire Pension fund name (the 'pension fund') administered by Leicestershire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities, [other than liabilities to pay promised retirement benefits after the end of the fund year];

have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Audit opinion Leicestershire Pension Fund continued

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

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

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities 114, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.

In this authority, that officer is the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Audit opinion Leicestershire Pension Fund continued

Use of our report

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

[Signature]

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

[Date]



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