

# Auditor's Annual Report

Leicester, Leicestershire and Rutland  
Combined Fire Authority – year ended 31  
March 2023

April 2024



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Leicester, Leicestershire and Rutland Combined Fire Authority ('the Authority') for the year ended 31 March 2023. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 26 April 2024. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report issued on 26 April 2024 we reported that we had not completed our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources and, on the basis of work to date, had not identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Authority's arrangements.



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 28 April 2024 we completed our work on the Authority's Whole of Government Accounts return and reported to the group auditor in line with their instructions.

# 02

Section 02:

## **Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority’s financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 26 April 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Reporting responsibility	Outcome
Annual Report	We did not identify significant inconsistencies between the content of the annual report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

# 03

Section 03:

**Commentary on VFM arrangements**

# 3. Commentary on VFM arrangements

## Overall summary





# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.


- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	14	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	16	No	No	No

# 3. Commentary on VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Overall responsibilities for financial governance

We have reviewed the Authority's overall governance framework, including Authority and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Authority undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Authority's service users.

### The Authority's financial planning and monitoring arrangements

Through our review of Authority and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Authority's arrangements for budget monitoring remain appropriate, including quarterly reporting to Members and well-established arrangements for year-end financial reporting.

We reviewed the Revenue and Capital Outturn Position for 2022/23, and the report set out the Authority's year end outturn position for the revenue and capital budgets for the 2022/23 financial year. The Authority set a capital programme for 2022/23 of £8.168m of which £2.797m was spent and the remaining £5.171m was taken as slippage to 2023/24. At 31 March 2023, total useable reserves for the Authority sat at £22.494m with the general reserve increasing to £3.408m. The Authority set and achieved a balanced revenue budget for the year with actual outturn being a £395k overspend.

### Financial Statement performance 2022/23

We have carried out a high-level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement. The Authority's balance sheet position does not highlight any concerns. The Authority's useable reserves have increased from £22.2m to £22.5m in 2022/23, with:

- General Fund Reserves of £3.408m, up from £2.987m in the prior year; and
- Earmarked Reserves of £19.087m, down from £19.167m in the prior year.

These reserves are sufficient to cover the deficit in the provision of services. Overall, the Authority's reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability, provide some mitigation against future financial challenges, and will assist in addressing future volatility and

support savings and efficiencies plans. The Authority will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

The Authority have a Treasury and Capital Strategy that is updated on a regular basis and sets out how the Authority manages risks and benefits associated with cash-flow, treasury management and borrowing. The strategy sets out how the Authority can fund a multi-year capital programme in a financially sustainable way using a series of prudential indicators to monitor the position. These plans and strategies are considered and approved by the Authority alongside the Medium Term Financial Outlook (MTFO) and budget decisions each year.

Other operational planning and its impact on the MTFO is also considered, together with the impact of working with other public bodies. Risk management is also considered in terms of financial plans and risk-registers are regularly updated and reported to the Corporate Governance Committee throughout the year.

The Authority consider the updated financial position at various stages throughout the year and this allows for Member scrutiny and challenge. The MTFO update was considered by the Authority at the February 2023 budget setting meeting.

The annual MTFO process includes reviewing the Authority's earmarked reserves. We confirmed a review was completed in 2022/23 to ensure funding set aside remains in line with strategic and statutory priorities of the Authority. This is evidenced in the outturn reports presented to the Authority during the financial year.

For the 2022/23 budget, the Authority set a balanced budget, and from the forecasts identified the Authority will not require the use of reserves to fund budget gaps until 2025/26.

As noted above, the Authority does not expect to have a shortfall in income until 2025/26 with the budget gap expected to be £461,000. This gap is expected to be funded by budget strategy reserves. The Authority states that the gap is manageable initially by using the budget reserve which will enable time to plan the best approach to save money without making budget cuts. We believe that this is an area to be challenged by officers and Members to ensure appropriate action is taken to maintain service levels under increasing cost pressures beyond 2023/24.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### The Authority's arrangements and approach to financial planning 2023/24

We reviewed the Medium Term Financial Outlook (MTFO) set from 2022/23 to 2024/25 and confirmed it supports the Authority's priorities communicated in its strategy "Safer People, Safer Places". We also reviewed the 2023/24 MTFO which adequately identifies the financial implications from 2023/24 to 2025/26, noting that the key assumptions underpinning expenditure budgets through the MTFO including price increases for which a provision of £0.6m is made for pay increases in 2022/23, the revised pay award of 5% was not agreed with firefighters, and support staff pay was greater than the 3% budgeted. A provision of £1.2m was proposed for the 2023/24 pay awards and the budget notes the difficulty in predicting the outcome of pay settlements. The provision made would equate to a 4% increase, with a 3% pay award then budgeted for in 2024/25 and 2025/26. Price inflation provision of £1.1m was proposed, rising to £1.3m in 2024/25, £0.6m of this relating to energy with the electricity bill doubling and gas expected to quadruple.

We supplemented our review of the 2023/24 budget and MTFS by reviewing the report of the Finance Manager to the Combined Fire Authority on 22 November 2023 regarding the revenue outturn and forecast position at the end of September 2023. The revenue position showed a forecast overspend of £482k for the year, which is planned to be funded from the budget strategy reserve. The forecast position reflects the pressures being faced as a consequence of general inflation and recent pay awards. The overspends have been partially offset by the On Call service being below establishment, underspends in staffing in support services, savings in transport costs and interest income.

**We have not identified any significant weaknesses in the Authority's arrangements in relation to financial sustainability for the year ended 31 March 2023.**

### 3. Commentary on VFM arrangements

#### Governance

How the body ensures that it makes informed decisions and properly manages its risks



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### The Authority's governance structure

Based on our work, we are satisfied that the Authority has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Authority as part of our audit.

Our review of corporate governance arrangements confirms the Authority has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by the Combined Fire Authority.

Our review of Authority and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

### Risk management and internal control

The Authority has an established risk management framework in the form of an Integrated Risk Management Plan (IRMP), this sits within the Corporate Plan. The IRMP assesses all foreseeable fire and rescue related risks to the communities the Authority services it also covers arrangements to respond and deal with risks. The Corporate Plan and IRMP covers the period from 2020-2024 and we have confirmed it has been approved by the CFA, the document includes details the Authority's approach to managing risk, guidance, the Authority's risk appetite and roles and responsibilities. An updated Community Risk Management Plan covering the period 2024 to 2028 is now in place.

The Corporate Governance Committee is responsible for overseeing the effectiveness of the Authority's risk management arrangements, and challenging risk information. The Committee is presented with the risk register on a regular basis and provides challenge as part of the process. Based on the view being taken at CGC the appropriate risk appetite, risks and opportunities can be determined by the Authority. These arrangements are consistent with what we would expect at a local authority and are adequate for the Authority's purposes.

The Annual Governance Statement is a critical component of the Authority's governance arrangements. It is an evidenced self-assessment by the Authority on the Authority's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

We have reviewed minutes of the Corporate Governance Committee meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Authority's requirements.

### Arrangements for budget setting and budgetary control

The MTFO recognises the risks and uncertainties facing the Authority in terms of future cost pressures, funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services in particular. We have reviewed the budget setting arrangements through review of minutes and discussions with officers. No matters have been identified indicating a significant weakness in arrangements.

There is a performance management system in place and quarterly reports on performance are presented to the Senior Leadership Team, the Corporate Governance Committee, and the CFA.

We have reviewed the Authority's minutes and confirmed there was regular reporting of the financial position during the 2022/23 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year. The Authority has a good record of delivering against its budget and this is evidence of effective arrangements for budgetary control.

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

We also reviewed the capital strategy as included within the Council's 2023/24 approved budget, noting that the on average around 50% of the expenditure is funded from the capital fund.

General Fund	2023/24	2024/25	2025/26
<b>Proposed capital programme (£'000)</b>	<b>3,860</b>	<b>4,761</b>	<b>4,267</b>
Funded by:			
Capital Fund	2,155	2,583	3,035
Estate Strategy Reserve	1,705	2,178	1,232
<b>Total Resources</b>	<b>3,860</b>	<b>4,761</b>	<b>4,267</b>

**We have not identified any significant weaknesses in the Authority's arrangements relating to the governance for the year ended 31 March 2023.**

### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services





# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Authority’s Corporate Plan with the purpose of “Safer people, safer places” sets out the Authority’s priorities and objectives for the period covered by the Plan, including the values which underpin the overarching vision. We reviewed the Corporate Plan (2020-2024), which included five corporate strategies that are in place to enable the Authority to achieve their overall aims. The strategies fall into the following areas:

- Safer Communities;
- Response;
- Finance and Resources;
- People; and
- Governance

Delivery of this plan and the five strategies is facilitated by annual department and district level plans which will link to the development needs and prioritises for all of the Authority’s staff. The action plan is reviewed on an annual basis and published with information on performance and progress against priorities. There are 20 individual tasks that are monitored.

We reviewed the report to Corporate Governance Committee on 22 November 2023 and noted detailed updates are provided on all 20 tasks in the Corporate Plan. A progress update is also provided in respect of 13 projects that are currently in various stages of development or implementation.

We identified no significant changes in arrangements regarding partnership working and are satisfied the Authority continues to have arrangements for standing financial instructions, purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies regarding purchasing controls.

The Authority is subject to review by Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The 2021/22 report was published in January 2023 and covered the following criteria:

- Effectiveness - How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?;

- Efficiency – How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?; and
- People - How well does the fire and rescue service look after its people?

<b>Effectiveness</b>	<b>Good</b>
<b>Efficiency</b>	<b>Requires Improvement</b>
<b>People</b>	<b>Good</b>

There were 3 area identified out of 14 which ‘required improvement’ in relation to:

- “Preventing fires and other risks” which falls under the effectiveness area. The report noted that the Authority have no effective plan to deal with home safety check referral backlog, and there is a lack of evaluation and quality assurance over prevention activity;
- “Making best use of resources” which falls under the efficiency area. The report noted that the service has plans to support objectives, but resources can be used better, some performance processes need to be reviewed and testing of business continuity arrangements requires improvement.
- Efficiency as an overall area; The report noted that the Fire Service has made some progress in efficiency since the last inspection, however, the service should consider how resources in prevention, protection and response could be used more effectively to achieve its outcomes.

‘The other areas were all rated as ‘GOOD’. The report noted that overall, the service has improved since the last inspection, which is reflected in the gradings. Although the report does indicate there are improvements to be made in the intervening years we believe the Authority has shown they are willing and able to enact change based on the movement in results over the last few years.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

### **How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve**

The Authority is a member of the Leicester, Leicestershire and Rutland Road Safety Partnership, and works with the partnership's other organisations including Leicestershire Police and the local authorities. Services provided include taking the lead on young drivers' education, offering interactive activities at schools, colleges and universities. Local operational teams also work with Leicestershire Police to promote anti-drink-driving campaigns.

The Authority supports a number of local projects and works alongside the police, health and local authorities to prevent fires in areas that have been identified as vulnerable. The service is also involved in the local Road Safety Partnership.

It was noted as part of the report by HMICFRS review that the Service has addressed the area for improvement that related to partnerships with local businesses. The report now notes that the services has built good links with business and the private rental sector, and there were good examples of effective collaboration this assists with promoting compliance with fire safety legislation.

### **How the Authority commissions or procures services, how the Authority ensures this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits**

Contract Procedure Rules provide the framework for procurement activity. All procurement activities are in line with the service's standing orders and financial instructions, national legislation and European legislation as per Public Contract Regulations 2015 and procurement best practice.

There is evidence that the Authority has arrangements in place to ensure procurement is in accordance with relevant legislation, professional standards and internal policies.

During 2023/24, the Authority took forward the award of a contract for the provision of a new mobilising system. This procurement is important, both in terms of cost and as a critical system for operational performance. The implementation of the new mobilising system should be carefully monitored by officers and Members.

**We have not identified any significant weaknesses in the Authority's arrangements relating to the improving economy, efficiency and effectiveness for the year ended 31 March 2023.**

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We reported to NAO on WGA on 28 April 2024.

As in previous years, we anticipate a significant delay before we will be able to issue our 2022/23 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

The NAO timetable for 2022/23 WGA is for completion by the end of November 2024, so we anticipate receiving the clearance which will enable us to issue our audit certificate by this date.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum dated 27 June 2023. Now we have completed the 2022/23 audit, we can confirm our final fees, which include additional fees relating to issues arising this year. All additional fees are subject to Public Sector Audit Appointments (PSAA approval). All fees are exclusive of VAT.

Area of work	2021/22 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice (scale audit fee published by PSAA)	£22,520	£27,106
Recurring increase in the base audit fee arising from regulatory pressures (as originally agreed in the 2019/20 audit); note that £4,586 of the fee in 2021/22 has been incorporated into the 2022/23 scale audit fee by PSAA	£5,758	£1,172
Additional recurring fees in respect of the new VFM approach (as agreed for the first time in the 2020/21 audit)	£5,000	£5,000
Additional recurring fees in respect of ISA 540 requirements in relation to accounting estimates and related disclosures (as agreed for the first time in the 2020/21 audit)	£1,900	£1,900
ISA 315 revised – additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT general controls (new standard applied from 2022/23 for the first time)	£nil	£5,000
Additional work relating to Government Actuaries Department (GAD) revised pension disclosures and revisions arising in relation to the calculation of the LGPS pension asset ceiling calculation – not recurring	£nil	£3,500
<b>Total fees</b>	<b>£35,178</b>	<b>£43,678</b>

\* The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA will fund the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies" (p8 of the consultation).

### Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

# A

## Appendix

# A. Further information on our audit of the financial statements

## Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p><b>Management override of controls</b></p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over: Accounting estimates impacting amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</p> <p>We did not identify any significant transactions outside the normal course of business. We applied a combination of audit judgment and computer aided audit tools to analyse and perform tests over journal entries. No issues have been identified that need to be brought to the attention of Members.</p>
<p><b>Net defined benefit asset/liability valuation</b></p> <p>The defined benefit asset/liability relating to the Local Government Pension Scheme and the Firefighters Pension Scheme represent significant balances on the Authority's balance sheet. Asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Authority uses actuaries for the two schemes to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>There is a high degree of estimation uncertainty associated with this estimate and it is highly sensitive to small adjustments to the assumptions used. We therefore determined there is a significant risk in this area.</p>	<p>We addressed this risk by: assessing the competency, objectivity and independence of the actuaries of each Pension Scheme; Liaising with the auditors of the Leicestershire Pension Fund to gain assurance over the design and implementation of controls in place. This included the processes and controls in place to ensure data provided to the actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the two Pension Fund Actuaries (as applicable), and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation reports provided by each actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements.</p> <p>Our testing identified two significant misstatements which have been adjusted for. These misstatements arose from receiving updated actuarial reports for the GAD scheme and an updated calculation of the asset ceiling from the LGPS actuary and resulted in adjustments (increases) of £6,300k and £1,269k to remeasurement of the Net Defined Benefit Liability respectively.</p>

# A. Further information on our audit of the financial statements

## Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p><b>Valuation of land and buildings</b></p> <p>Property related assets are a significant balance on the Authority's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	<p>We addressed this risk by: critically assessing the scope of work, qualifications, objectivity and independence of each of the Authority's valuers to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Authority's valuers are in line with industry practice, the CIPFA code of practice and the Authority's accounting policies; assessing whether valuation movements are in line with market expectations by considering valuation trends; critically assessing the approach that the Authority adopts to ensure that assets that were not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Authority's valuers; and considering engaging our own valuation expert to support our work.</p> <p>While our work on valuation did not identify any issues with the methodology used, we identified on review of the Fixed Asset Register (FAR) two assets held on operating leases which should not have been included in the FAR. This resulted in adjustments made to the financial statements to remove the assets from the Property, Plant and Equipment note and to adjust for the subsequent valuation movements. This removal also resulted in a prior period adjustment.</p>



# A. Further information on our audit of the financial statements

## Summary of uncorrected misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Accumulated Depreciation (Land and Buildings)			111	
	Cr: Depreciation (Expenditure)		(111)		
<p>Upon revaluation, a few assets in the Fixed Asset Register were not updated in Unit4. The reason for this was due to the revaluation value not changing from 2021/22, this caused depreciation to be incorrectly calculated for the 22/23 year.</p>					
<b>Total unadjusted misstatements</b>			(111)	111	

# A. Further information on our audit of the financial statements

## Internal control observations

### Description of deficiency – **fixed asset register**

We have identified deficiencies when confirming the existence and condition of assets in the fixed asset register (FAR) due to:

- Asset in FAR having a NBV of 0, yet upon challenge with management, were still in use.

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### Potential effects

The current situation in relation to the FAR does not easily allow identification of the existence of individual assets or obsolescence to individual assets, it may lead to an undervalue of PPE.

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### Recommendation

Ensure all assets are reviewed periodically to ensure their UEL is appropriate and up to date. We understand that work is already in progress to do this.

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