

Informing the audit risk assessment for Leicester City Council 2022/23

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Leicester City Council's external auditors and Leicester City Council's Governance and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance and Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Governance and Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Governance and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance and Audit Committee and supports the Governance and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Leicester City Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Leicester City Council's management.

The Governance and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	There are no key events or issues that will have a significant impact on the 2022/23 financial statements.
2. Have you considered the appropriateness of the accounting policies adopted by Leicester City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The Council has completed the annual review of their accounting policies to ensure appropriateness. There have been no events or transactions which have caused us to change or adopt new accounting policies.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Council has similar types of financial instruments to those in the 2021/22 accounts.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	There were no significant transactions outside our normal course of business.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	There are currently no circumstances that would lead to impairment of non-current assets. However, the valuer when valuing our assets consider any circumstances where this could arise.
6. Are you aware of any guarantee contracts? If so, please provide further details	None currently identified.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None currently identified.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Leicester City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The Council uses various solicitors throughout the year and will provide the detail to the auditors during the audit.</p> <p>Furthermore, as noted in the 2021/22 statement of accounts a claim has been lodged with HM Courts and Tribunal Service by BIFFA Group Holdings (UK) Limited and group companies, regards disputed matters in relation to payments under the PFI contract for waste management. The Council will provide further updates on this matter to Grant Thornton when they become available.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	This information will be provided as part of the audit working papers.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, information will be provided as part of the audit working papers.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance and Audit Committee and management. Management, with the oversight of the Governance and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Leicester City Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Governance and Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Governance and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Leicester City Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Leicester City Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>The Council has assessed the risk of material misstatement in the financial statements due to fraud to be limited.</p> <p>The Council will challenge the figures within the accounts and will gain assurance over controls from internal audit.</p> <p>If the Council identifies any concerns over internal controls then processes are reviewed and new controls are implemented. The Council has not identified any concerns over financial controls over the current year. We try to learn lessons from others experiences and are active members of the National Anti Fraud Network and the East Midlands Fraud Group which share best practice and potential risks.</p> <p>When the Council identifies risks a review will be undertaken to identify any potential financial impact.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Procurement exercises/contracts, Right to Buy of council properties, small business rate relief, business grants and subletting council properties.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Leicester City Council as a whole, or within specific departments since 1 April 2022? If so, please provide details.</p>	<p>The Council has a counter fraud team who are responsible for investigating instances of fraud.</p> <p>The team report to Governance & Audit Committee periodically, to provide an update on any instances of fraud and actions taken.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The team report to Governance & Audit Committee periodically, to provide an update on any instances of fraud and actions taken
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Leicester City Council where fraud is more likely to occur?	<p>The Council is at particular risk of fraud in the usual higher risk areas e.g repairs and maintenance, procurement and contract management.</p> <p>The Council has the relevant controls in place to try and prevent fraud.</p> <p>This is further supported by the reports of internal audit.</p>
6. What processes do Leicester City Council have in place to identify and respond to risks of fraud?	<p>The Council has a clear governance framework summarised below:</p> <ul style="list-style-type: none"> • Mayor, Executive & Council • Decision Making • Risk Management • Scrutiny & Review • Corporate Management Team <p>Further to the Council has various codes and rules, including Financial Procedure Rules, Codes of Conducts, Anti-Fraud, Bribery & Corruption Policy and Anti Money Laundering Policy.</p> <p>Further to this the Council participates in the National Fraud Initiative.</p> <p>There has been an agreement made with colleagues at Leicestershire County Council to undertake an assessment each other's organisation using the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption during 2023/2024.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Leicester City Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details.</p>	<p>The Council outsources its internal audit function to Leicestershire County Council to ensure regular review of its control environment.</p> <p>The outcomes of audit reports are regularly reported to management and the Governance & Audit Committee.</p> <p>There are no areas identified for potential override of controls or inappropriate influence over the financial reporting process.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details.</p>	<p>None that the Council are aware of.</p>
<p>9. How does Leicester City Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council uses various options to communicate with employees including;</p> <ul style="list-style-type: none"> Staff intranet, established internal communication channels Organisational development team, delivering staff training Information assurance team to support data policies <p>The Council encourages staff to report their concerns regarding fraud through the following policies;</p> <ul style="list-style-type: none"> Anti-fraud, Bribery & Corruption Policy Whistleblowing Policy

Fraud risk assessment

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Director of Finance</p> <p>Treasury & Investments Manager</p> <p>Risks associated by the above posts are managed through having appropriate controls in place, to reduce the potential for fraud or corruption. LCC undertake ID checks on applicants and also fully participate in the NFI project. This provides further assurance as this allows the payroll file to be cross matched against the directorships of companies with whom the council do business. There is a centralised conflict of interest file and this is checked for potential conflict of interests as part of the NFI project. A reminder is due during 2023/24 to ensure this is fully utilised by staff and declarations are made.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The Council is unaware of any related party relationships that could give rise to instances of fraud.</p> <p>The Council maintains information on any related parties to ensure any risks can be mitigated and appropriate controls are in place.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee?</p> <p>How does the Governance and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Two reports are submitted to the Governance & Audit Committee annually to report on fraud issues with an additional report on the National Fraud Initiative each year. Along with this internal audit also report to committee on outcomes from internal audits.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance and Audit Committee, is responsible for ensuring that Leicester City Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Governance and Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Leicester City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Council employs legal professionals to ensure it remains compliant with all relevant laws and regulations.</p> <p>Legal implications are included on all relevant decision-making reports, scrutiny reports and a number of internal briefing reports. On a case-by-case basis lawyers are embedded into the operational decision-making structures within client areas (child protection, adults safeguarding, HR etc).</p> <p>A Quarterly Governance Panel comprising the Chief Operating Officer and the two Statutory Officers has been set up to provide an additional layer of scrutiny to what are regarded as the Council's high-risk activities/schemes.</p>
<p>2. How is the Governance and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Legal implications are included on all reports taken to Committee, including to the Governance and Audit Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>There have been no known instances of significant non-compliance with law and regulation.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>As per the 2021/22 statement of accounts, a claim has been lodged with HM Courts and Tribunal Service by Biffa Group Holdings (UK) Limited and group companies, regards disputed matters in relation to payments due under the PFI contract for waste management. There is potential for this to progress through the high court process, with a full court hearing unlikely to be until 2025. It is not practicable at this time to estimate the financial effect. It is however unlikely that the council would receive any reimbursement.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Leicester City Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>All legal work is undertaken on a single specialist case management software system. In individual client areas (e.g. debt recovery, care proceedings, employment law etc) regular client liaison meetings occur or data is shared. Elevation mechanisms within Legal Services ensure that high profile cases are referenced with senior management. Our insurance arrangements are closely managed to ensure that insurable claims are efficiently handled. All Judicial Review claims are brought to the attention of the City Barrister.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No</p>

Related Parties

Matters in relation to Related Parties

Leicester City Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Leicester City Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Leicester City Council's 2022/23 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Leicester City Council • whether Leicester City Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>This work to identify related party transactions will be shared in the audit working papers as part of the audit.</p>
<p>2. What controls does Leicester City Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members & Directors are asked to complete an annual declaration.</p> <p>The Council also takes part in the National Fraud Initiative.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All transactions are approved in line with the Financial Procedure Rules.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All transactions are approved in line with the Financial Procedure Rules.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Leicester City Council will no longer continue?	The Council completes an Annual Budget report each year that goes to the Overview Select Committee (and other scrutiny committees) for scrutiny and then to Full Council for approval. This includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.
2. Are management aware of any factors which may mean for Leicester City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None currently identified.
3. With regard to the statutory services currently provided by Leicester City Council, does Leicester City Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Leicester City Council to cease to exist?	Leicester City Council expects to continue to deliver statutory services.
4. Are management satisfied that the financial reporting framework permits Leicester City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, as per above the Council completes an Annual Budget report each year which includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	None at this time.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	The risk management process is identifying the professionals that are used to provide the accounting estimates e.g. valuers and actuaries. In addition, we have professional integrity.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The professionals will use updated information to base their estimates. For examples the valuer will look at the markets and review the Royal Institute of Chartered Surveyors (RICS) guidance for the year.
4. How do management review the outcomes of previous accounting estimates?	Management will have an oversight of the assumptions used for the estimates and ensure they are reviewed annually. In addition, where there are significant changes explanations from the professional will be requested.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	None at this time.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Management will use professionals with the specialised skills or knowledge for calculating accounting estimates this will be Accountants, Valuers and Actuaries.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>All accounting estimates are reviewed annually and throughout the closedown process.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>As previously detailed management will review assumptions used for calculating accounting estimates and ensure any changes have an explanation.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The estimates are reviewed by the management in the relevant specialisms and by the management reviewing the Statement of Accounts.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Governance and Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>The material estimates are reported in the Statement of Accounts.</p> <p>Further to this briefing & training sessions are completed with the Governance and Audit Committee to ensure they understand the arrangements used for completion including estimates. The Committee is encouraged to ask questions to gain assurance that officers are able to provide robust answers.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	<p>Non-dwelling property valuations are planned at the beginning of each financial year by Estates & Building Services. The Valuer is asked to provide estimated property values as at the end of the financial year.</p> <p>Programme of planned valuations maintained by Estates & Building Services to ensure that all land and buildings are regularly revalued.</p> <p>Indices published by the Building Cost Information Service are used to populate property values at the Balance Sheet date.</p>	The Valuer reviews valuations at the Balance Sheet date to Ascertain appropriateness of estimated valuations and therefore any material under- or overstatement.	RICS valuers are appointed to undertake the annual valuations	Actual indices used which reduces uncertainties.	<p>Yes – all Land & Buildings over £100k have been valued in 2022/23, whereas in previous years all Land & Buildings were valued.</p> <p>The valuers have assessed that by not valuing the assets under £100k, that it does not result in the accounts being materially misstated.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	An annual valuation of Council dwellings is conducted by external consultants Wilks Head and Eve LLP.	Verification checks will be conducted on the valuations provided.	Yes – Wilks Head and Eve LLP.	The valuations will be conducted in line with relevant guidance.	No
Depreciation	Useful lives received from RICS valuers appointed to undertake valuations.	Checks to ensure reasonableness.	Yes – RICS valuers	At the end of 2022-23 financial year it was estimated that the estimated annual depreciation charge for buildings would increase by approximately £3m for every year that useful lives had to be reduced.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	Checks to the reasonableness of assumptions in the actuaries report are made	Yes (actuary for LGPS administered by Leicestershire County Council)	The effects of the net pension liability of changes in individual assumptions can change the liability significantly. For example, an 0.1% decrease in the Real Discount rate would mean a 2% increase to the employers liability. Which in 2022/23 would have amounted to approximately £30m.	No.
Level 2 investments	Where there are material balances, models are provided from the council's treasury advisors, to calculate the estimated fair values.	Corporate accountant reviews appropriateness of estimated valuations.	Treasury advisors (Arlingclose)	Sensitivity analysis in Nature and Extent of Risks arising from Financial Instruments note to the accounts.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments	Where there are material balances, models are provided from the council's treasury advisors, to calculate the estimated fair values.	Corporate accountant reviews appropriateness of estimated valuations.	Treasury advisors (Arlingclose)	Sensitivity analysis in Nature and Extent of Risks arising from Financial Instruments note to the accounts.	No
Fair value estimates	Fair value estimates are covered above i.e. in financial instruments and in PPE valuations for PPE related.				

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – Bad Debt	<p>A bad debt provision is calculated based on the age & total of outstanding debt at the balance sheet date.</p> <p>Standard percentages and knowledge of individual circumstances are used.</p>	<p>Reviewed to ensure significant movements are understood and are prudent.</p>	No	No policy or legal change affects the collection of this debt.	No
Provisions – Insurance Claims	<p>This is estimated based on the claims received and which are expected to be Settled.</p>	<p>The Insurance claims database is used, providing the estimate.</p> <p>Claims provisions are normally reviewed by an actuary every 2 years.</p>	Insurance companies & Actuaries	Insurance Companies & Actuaries.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – Business Rates	Business Rates appeals - Judgement is applied based on data from the Valuation Office Agency regarding outstanding appeals and the likelihood of success. The amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data and any other known information.	Different averages are calculated for the different types of appeals and property Types.	Revenues Manager	The calculation is based on a range of sources including professional advice. If the volume and outcome of appeals differs significantly from the assumptions then this will impact on the level of provision.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Various methods used, depending on each set of circumstances.	Management checks on journals.	No	Supporting information provided for accruals to evidence the underlying assumptions behind the accrual.	No
Credit loss and impairment allowances	Various methods used, depending on each set of circumstances.	Check with management i.e. treasury manger, head of finance etc. to ensure estimates are reasonable.	No	Sensitivity analysis included in working paper.	No
Finance lease liabilities	Follow the CIPFA code of practice in determining finance lease liabilities.	Mostly property leases and they are valued by a RICS valuer.	For property leases RICS valuers are appointed to undertake the annual valuations.	Lease liability determined by following CIPFA code of practice.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	<p>Total payments due under existing PFI schemes are split between payments for services, reimbursement of capital expenditure, interest and lifecycle costs. The split being derived from detailed cash flow models provided at the commencement of each scheme.</p> <p>PFI liabilities are reduced by payments made during the year.</p> <p>The financial model details the cash flows of the schemes.</p>	Changes to outstanding liabilities are measured against the financial model and split between current and noncurrent accordingly.	No	<p>It is assumed that the PFI schemes will progress as planned with specifications remaining unchanged.</p> <p>PFI unitary payments are being made as per the financial model.</p>	No



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