

Report of the District Auditor
- accounting for early
retirement costs

Leicester City Council

Reference:	\$0uicngc.doc
Date:	January 2004

Introduction

This report follows on from that of the Chief Finance Officer on the same agenda and needs to be read in conjunction with it.

The issue

We are required to report to you all misstatements other than those of a clearly trifling nature. A trifling error is an entirely inconsequential error.

Our audit identified the following misstatement in the Council's accounts which management has decided not to adjust:

The Council pays the unfunded costs of early retirement by means of additional payments to the pension fund over five years. Best practice would be to accrue the full cost in the year in which the early retirement takes place.

As best practice has not been followed, pension costs of up to £600,000 have not been fully provided for in the year. Consequently, in our view, the accumulated balance on the General Fund and the General Fund surplus for the year are over-stated by this amount.

Recommendation of the District Auditor

You need to decide whether or not you will adjust the accounts of the Council in respect of the misstatement identified above.

If you choose not to do so, SAS 610 requires us to ask you to provide a letter of representation explaining why you are not going to adjust the accounts. We ask that the letter specifically details the misstatements to which it relates, either in the body of the letter or in a document appended to it.

Recommendation of the Chief Financial Officer

The Chief Finance Officer is content with existing practice, and would recommend that members do not change the accounts.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.