

# (Final) Auditor's Annual Report

North West Leicestershire District Council  
– year ended 31 March 2021

April 2023



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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 North West Leicestershire District Council ('the Council') for the year ended 31 March 2021. Although this report is addressed to the Council, 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

Our audit opinion, issued in April 2023 is unqualified.

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### Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council's arrangements to secure, economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation 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 Council's arrangements.



### Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council's financial statements.

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# 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 Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended.

Our audit report on the financial statements for the year ended 31 March 2021 is unqualified, but with an additional paragraph to emphasise the effect of the Covid-19 pandemic on the valuation of land and buildings:

"We draw attention to Note 2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's retail and specific trading related assets/sectors such as car parks. As disclosed in Note 2 of the financial statements, the Council's valuer included a 'material valuation uncertainty' declaration within their report in relation to these assets as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter."

### Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

### Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we considered the internal controls in place relevant to the preparation of the financial statements in order to

design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

Our detailed findings and recommendations were included in the Audit Completion Report to the Council's Audit Committee

### Management co-operation during the audit

We have had full cooperation throughout our work and are grateful for the cooperation and support provided by management.

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## 2. Audit of the financial statements

### Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.</p>	<p>There are no significant matters to report in respect of management override of controls.</p>
<p><b>Valuation of the net pension liability</b></p> <p>The defined benefit liability relating to the Local Government pension scheme represents significant balances on the Council's balance sheet. The Council relies on an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk of misstatement in this area.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>liaising with the auditors of the Leicestershire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. 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;</li> <li>reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office.</li> </ul>	<p>There are no significant matters to report in respect of the net pension liability.</p>

# 2. Audit of the financial statements

## Main financial statement audit risks and findings (continued)

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Valuation of land &amp; buildings and investment properties and council dwellings</b></p> <p>The valuation of these properties is complex and is subject to a number of management assumptions, judgements and a high degree of estimation uncertainty.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>• considering whether the overall revaluation methodologies used by the Council’s valuers are in line with industry practice, the CIPFA Code of Practice and the Council’s accounting policies;</li> <li>• assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;</li> <li>• critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council’s valuers; and</li> <li>• testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.</li> </ul>	<p><b>Material audit adjustments</b></p> <p>During our initial testing we observed that the Council’s internal records (floor plans for assets) did not reconcile to the measurements used by the valuers. We requested the Council obtain further evidence to confirm the correct measurements of assets and revaluations undertaken if required. Once asset measurements were obtained there were significant differences meaning records had not been kept properly up to date leading to material changes to the financial statements, including one investment property where we requested the prior year financial statements be corrected.</p> <p>Following adjustment, we were satisfied the balances were materially correct.</p> <p><b>Emphasis of matters</b></p> <p>In Note 2 of the financial statements, the Council explained that the valuation of certain trading assets was subject to “material valuation uncertainty” based on the Council’s external valuation report. The interpretation of “material valuation uncertainty” is consistent with our understanding of RICs professional guidance regarding the impact of covid-19 on the valuation of certain assets for the year ended 31 March 2021. A consequence of this clause is that we have included an additional paragraph in our audit report to emphasise this matter as follows:</p> <p>“We draw attention to Note 2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s retail and specific trading related assets/sectors such as car parks. As disclosed in Note 2 of the financial statements, the Council’s valuer included a ‘material valuation uncertainty’ declaration within their report in relation to these assets as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.”</p>

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# 03

Section 03:

**Commentary on VFM arrangements**

# 3. VFM arrangements – Overall summary

## Context of the Auditor’s Annual Report

Our Auditor’s Annual Report summarises the work we have undertaken as the auditor for North West Leicestershire District Council for the year ended **31 March 2021**, where at the time of reporting in April 2023, we recognise that the social, political and economic environment has changed and local government is facing significant challenges including:

- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing hardship.
- **Added budget pressures:** With inflation soaring, the cost of goods, services and resources are becoming more expensive. Local authorities are not immune to the increasing cost of energy supply, although the government announcements on energy caps help, many local authorities are still facing higher costs. Local authorities typically budget for modest salary increases year on year, but expectations and demands on salary increases have changed and consideration on how they are to be funded is required.
- **Cost of Borrowing:** The Bank of England base rate has risen to 4.25% in March 2023 meaning that the cost of borrowing for capital projects has increased significantly.
- **Contractors and Suppliers:** The cost-of-living crisis has resulted in business failures. Although government support has been announced, some businesses will continue to struggle, with a greater risk of supplier failure. Supply failures anywhere in the supply chain will have a knock-on effect.
- **Service Delivery:** Likely budget reductions and savings plans are going to impact the ability of local authority services to maintain levels of delivery, particularly at a time of increased demand.

We maintain a watching brief over the key issues facing North West Leicestershire District Council and, should we identify a risk of significant weakness in arrangements, will follow the process as described in section 3 to promptly raise these with management and issue any reports to the Audit & Governance Committee as part of our audit for the year ending 31 March 2022 and 2023.

# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council 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 Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

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

Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. 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.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	15	No	No
Governance	18	Yes	No
Improving economy, efficiency and effectiveness	21	No	No

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# Commentary on VFM arrangements

Risks of significant weaknesses in arrangements



# 3. VFM arrangements – Overall summary

## Risk of significant weakness in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist. The table below outlines the risk of significant weakness in arrangements that we identified as part of our planning and risk assessment.

Risk of significant weakness in arrangements	Work performed	Findings
<p><b>Governance: statutory financial reporting</b></p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations effective from 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 for all local authorities from 31 July to 30 September 2021 for all local authority bodies. The completion of audited 2020/21 financial statements represents a delay of some 18 months.</p> <p>We believe this delay presents a risk of significant weakness in the Council’s arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks) including how the body supports its statutory financial reporting requirements.*</p> <p><i>* Criteria as defined by Auditor Guidance Note 3 (AGN03), Auditors’ Work on Value for Money (VFM) Arrangements (December 2021)</i></p>	<p>Our work included, but was not limited to:</p> <ul style="list-style-type: none"> <li>• Drawing from the outcome of the 2020/21 financial statement audit;</li> <li>• Meetings with Officers</li> <li>• Reviewing any applicable supporting committee reports.</li> </ul>	<p>We presented our Audit Completion Report in February 2023, and a summary of the findings are set out in Section 2 of this report. Alongside the various delays mentioned below, we needed to re-deploy our audit team at a point at which we had the capacity and that is also a contributing factor to the delayed audit report.</p> <p><i>Property records</i></p> <p>We reported to the November 2020 Audit &amp; Governance Committee that during the course of our 2019/20 audit, in our testing of underlying valuation data, such as floor spaces, the Council was unable to immediately find data to validate the floor areas used to support the valuation, leading to the Council having to find alternative sources of evidence. We recommended the Council perform a regular reconciliation between the underlying books and records of asset data, such as floor space and land areas, to the information used as the basis of valuation by the valuer.</p> <p>Our initial audit visit in 2021 identified ongoing issues regarding the accuracy and reliability of property records requiring the Council to appoint a company to re-measure assets to ensure asset valuations were accurate. Limited capacity in this specialist sector was a contributing factor to delays. The re-measurement exercise identified significant errors in the Council’s records that needed to be passed onto the Council’s valuation expert for review with new valuations being entered in the fixed asset register and financial statements. This included material errors that meant prior year balances had to be restated.</p> <p><i>New financial ledger</i></p> <p>The Council also intended to introduce a new financial ledger system, with intended wider benefits to financial planning and budgetary control. Capacity in the finance team was also stretched with interim finance staff at various grades and limited success in recruiting, in large part due to scarcity of skilled resource in the labour market. In 2021, we discussed the delays over the financial statements audit and were content that, due to significant finance resource constraints, the Council would focus on the implementation of its new financial ledger rather than complete the 2020/21 financial statements, particularly given the time required to complete the asset remeasurement exercise.</p> <p>The new financial ledger has only recently been put in place and there have been sustained capacity constraints in the finance team, with various interims and vacant posts.</p>

### 3. VFM arrangements – Overall summary

#### Risk of significant weakness in arrangements (continued)

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist. The table below outlines the risks of significant weaknesses in arrangements that we identified as part of our planning and risk assessment.

Risk of significant weakness in arrangements	Recommendation(s) for improvement	Our views on action taken to date
<p><b>Governance: statutory financial reporting</b></p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations effective from 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 for all local authorities from 31 July to 30 September 2021 for all local authority bodies. Our audit report, issued in April 2023, represents a delay of over 18 months from that revision and was mainly due to:</p> <ul style="list-style-type: none"> <li>the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; and</li> <li>insufficient capacity in the finance team and its leadership, exacerbated by a shortage of skilled resources on the labour market.</li> </ul> <p>Overall, we believe that improvements are required, but did not lead to a significant impact on the quality or effectiveness of service and the Council’s reputation.</p>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>Ensure accurate and up-to-date property records are maintained to ensure the financial statements are fairly stated</li> <li>Restructure the finance team to ensure there is appropriate capacity to ensure priorities are delivered</li> </ul>	<p>The Council’s asset remeasurement exercise during 2022 has now been completed to bring ensure key data to support accurate valuations are recorded in the financial statements.</p> <p>The Council has also agreed the finance team restructure</p> <p>We have also agreed a timetable to bring the audit of the 2021/22 and 2022/23 financial statements through to completion by the end of 2023 / early 2024.</p>

# Commentary on VFM arrangements

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

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Based on the considerations and views formed in this section, we are satisfied there is not a significant weakness in the Council’s arrangements in relation to financial sustainability.



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Background to the Council’s operating environment in 2020/21

The Council entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the Covid-19 pandemic, central government made a series of policy announcements, a number of which have impacted on local authorities such as North West Leicestershire District Council. During the 2020/21 year the Council dealt with a wide range of issues to support local residents and businesses.

Some of the Government’s initiatives in response to the Covid-19 pandemic have been backed by additional funding, and the Council received a range of government grants during 2020/21 to either support local businesses/individuals or meet the Council’s own costs. The Council also received income relating to income compensation scheme for the sales, fees and charges income lost during the lockdown periods.

### 2020/21 Financial statement performance

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 Council's balance sheet does not give us cause for concern relating to financial stability. Net current assets have reduced from £39.8m to £18.1m, with short term creditors increasing from £10.6m to £24.5m which as at other councils this year is largely due to deferred Covid-19 government grants. The level of total year-end Cash and Cash Equivalents and Short Term Investments Equivalents fell slightly from £50.3m to £49.8m but this was in line with cash flow forecast and requirements.

The Council's useable reserves increased from £45.2m to £52m in 2020/21, with:

- General Fund Reserves of £21.4, up from £16.7m in 2019/20;
- Capital Receipts Reserves of £8.1m, down from £9.5m in 2019/20; and
- Housing Revenue Account Balances of £19.4m, up from £16.7m in 2019/20.

These reserves provide some mitigation against future financial challenges, and will assist in addressing future volatility and support savings and efficiencies plans. The Council 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. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council’s arrangements for ensuring financial sustainability.

### Financial planning and monitoring arrangements including arrangements for the identification, management and monitoring of funding gaps and savings

In February 2020 the Council set balanced General Fund and Housing Revenue Account budgets for the 2020/21 financial year. For the 2020/21 General Fund budget, the Council set a balanced budget which relied on savings target being achieved that are aimed at delivering efficiency savings and cuts against services totalling £570k. Within the budget report to Council there was an appendix that covered proposals in particular savings proposals and proposals to cover cost pressures. We are satisfied the report contains adequate information to support the budget proposals.

The report identified that the Council has been actively working towards trying to attain a balanced budgeted in future years and yet proposed savings were not achieved: our review of the Revenue And Capital Outturn Position for 2020/21 provided to Cabinet on 27th July 2021 confirmed there was a £660k unfavourable variance for the General Fund resulting in a £32k deficit. There was a £100k unfavourable variance on the HRA which resulted in a £2.6m surplus. The main reason for the slippage was due to Journey to Self Sufficiency (J2SS) savings not being made with unfavourable variances of £454k and £225k on the General Fund and HRA respectively. We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 11 and not identified any significant weaknesses.



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria (continued)

### Arrangements for the identification, management and monitoring of funding gaps and savings (continued)

The 2020/21 financial year was extra-ordinary and the impact of the covid-19 pandemic is still reverberating in April 2023. We believe the Council can improve its arrangements for financial planning and budgetary control including reporting to Members. Whilst financial balance and a sound financial standing has been maintained, despite difficult circumstances, in our view this has not materialised through a “journey to self-sufficiency”. We believe, based on discussions with officers since 2020, that financial planning and budgetary control could be more proactive, more transparent and therefore more accountable when it comes to delivering transformation and savings by design and not as a by-product. The Council has recently appointed a new Chief Executive and is going through the appointment process for a substantive s151 Officer, which we suggest is the catalyst to revisit the strategic planning process and improve the integration of service and financial planning in line with good practice.

### Arrangements and approach to 2021/22 financial planning

The arrangements for the 2021/22 budget setting process have largely followed the arrangements in place for 2020/21 but with a better understanding based on the experiences during the year of the impact of Covid-19 on the Council’s services. There were still though a number of unavoidable uncertainties regarding likelihood and impact of any future lifting of restrictions or lockdowns, and the availability of any further government support.

A balanced budget was set for the General Fund and HRA for 2021/22 in February 2021, with the General Fund position dependent on £570k transformation savings. The level of general fund reserves and ongoing budgetary control arrangements has led us to believe satisfactory arrangements are in place. We do, however, see it as an area to be challenged by officers and members to ensure appropriate action is taken to maintain service levels under increasing cost pressures beyond 2022/23.

The Council has a Medium Term Financial Plan (MTFP) outlook in place which was approved by Cabinet in July 2022 and covers the period 2022-2027. The MTFP sets out the Council’s commitment to provide services that meet the needs of people locally and that represent good value for money within the overall resources available to it. We reviewed the MTFP and confirmed it supports the Council’s priorities communicated in its

Delivery Plan. The MTFP adequately identifies the financial implications from 2022 to 2027, noting that the key assumptions underpinning budgets through the MTFP included CPI, pay increases and uncertainty over funding reforms.

Balanced General Fund and Housing Revenue Account budgets for 2021/22 were approved at the February 2021 Council meeting with any required savings expected to be covered by actions in hand. We also reviewed the 2022/23 budget which was approved in February 2022 and noted the following with regards to reserves. The General Fund has both the journey to self-sufficiency reserve and business rates reserve to help manage deficits and funding volatility. The combined value of these reserves is forecast to be £9.4 million on 31 March 2022 and will rise to £10.6 million by 31 March 2023 based on the current budget. This indicates that the Council is planning to overcome potential future deficits.

The Council has, as described above, established reserves to support its planned transformation and savings process and to address volatility in funding.

The update to the Medium Term Financial Outlook in 2022 showed savings in excess of £1m were required through to 2023/24 and even if those were achieved the Journey to Self Sufficiency reserve (J2SS) would be fully depleted by 2024/25. Within the context of significant disruption caused by the Covid-19 pandemic, we are satisfied this does not indicate there to be a significant weakness in the Council’s arrangements during 2020/21. However, it is important that Officers maintain the channel of open communication regarding budgets with Members so informed decisions can be made on items such as council tax increases and proposed areas where savings can be made and that there is sufficient transparency that planned savings are realised as intended.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in relation to financial sustainability.**

# Commentary on VFM arrangements

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

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We are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management and monitoring arrangements

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

Our review of corporate governance arrangements confirms the Council 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 Full Council.

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

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an updated and approved Risk Management Policy which includes the Council's approach, guidance, the Council's risk appetite and roles and responsibilities. The Audit and Governance Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information. The Committee is presented with the risk register on a regular basis and provides challenge as part of the process. There is also a Corporate Risk Scrutiny Group, made up of technical experts and corporate leads from the Council's Service Areas. Members of the Group act as "champions" for risk within their services and the Group provides a link into the Corporate Leadership Team.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has an Internal Audit function which is provided by a shared service with neighbouring councils. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by Audit & Governance Committee prior to final approval.

The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk

management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to each Audit Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment. For 2020/21 the Head of Internal Audit concluded that a reasonable level of assurance could be provided on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control.

Throughout the year we have attended Audit & Governance Committee meetings. Through attendance at these meetings we have confirmed that the committee receive regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Audit & Governance Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria (continued)

### Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. The framework includes:

- Clear responsibilities, including the role of the S151 Officer in leading the budget setting process and providing professional advice, and the reservation of the approval of the Budget to the Council.
- Cabinet is responsible for publishing initial proposals for inclusion in the budget and policy framework.

As also explained on page 9, we have reviewed the budget setting arrangements through observation and discussions with Officer. We have also noticed issues with the turnover of finance staff which has in part led to the delayed audit completion and delays in implementing the new finance system over a two year extended period. With a limited availability of suitably skilled staff the Council has been reliant on a number of interim staff in key positions.

The Council's MTFs includes the identification and evaluation of risks to the Authority's finances and is developed in parallel to the budget for the following year and setting of the precept. We have reviewed minutes of meetings and the year end financial outturn reports presented to the Cabinet during the year as well as the and narrative statement to the financial statements. In addition, we have reviewed capital expenditure as presented in the financial statements with no issues arising from our testing of additions.

We also reviewed the capital programme, noting that the GF Capital Programme for the next four years from 2021/22 to 2024/25 is funded predominantly from capital receipts and grants other than 2021/22 when borrowing will be incurred. In contrast, revenue or reserves is the primary source of funding for the housing revenue account capital programme – funding 62% of the five year programme. The Council needs to determine the level of reserves / revenue used over the next four years remains sustainable. We have held regular discussions with officers regarding arrangements for the management and funding of capital programme, and noted no issues.

Based on the above considerations, except for the arrangements relating to statutory financial reporting, we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.

General Fund	2021/22	2022/23	2023/24	2024/25
<b>General Fund Capital Programme (£000)</b>	<b>20,166</b>	<b>5,875</b>	<b>2,938</b>	<b>2,303</b>
Funded by:				
Government Grant	670	670	670	670
Borrowing	13,428	5,205	2,268	1,633
Capital receipts	4,380	0	0	0
Revenue or reserves	1,687	0	0	0
<b>Total Funding</b>	<b>20,166</b>	<b>5,875</b>	<b>2,938</b>	<b>2,303</b>

Housing Revenue Account	2021/22	2022/23	2023/24	2024/25
<b>HRA Capital Programme (£000)</b>	<b>15,559</b>	<b>13,650</b>	<b>12,124</b>	<b>11,897</b>
Funded by:				
Government Grant	375	192	191	191
Developer Contributions	271	4	0	0
RTB receipts	4,290	2,750	2,608	2,642
Capital receipts	1,073	400	400	400
Revenue or reserves	9,550	10,303	8,926	8,664
<b>Total Funding</b>	<b>15,559</b>	<b>13,650</b>	<b>12,124</b>	<b>11,897</b>

# Commentary on VFM arrangements

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

Based on the considerations and views formed in this section, we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.



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

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

### Performance Management

The Council's Delivery Plan sets out the Council's priorities and objectives for the period covered by the Plan. The core themes in the Plan are:

- Supporting Coalville to be a more vibrant family-friendly town
- Our communities are safe, healthy, and connected
- Local people live in high quality, affordable homes
- Support for businesses and helping people into local jobs
- ~~6~~<sup>4</sup> Developing a clean green district.

Each of the themes have a detailed delivery plan in place with specific indicators to measure success.

As part of the Council's Performance Management and Continuous Improvement Framework all service areas have objectives which form part of the Council's delivery plan and Key Performance Indicators. These are reported on a quarterly basis to Cabinet to enable adequate levels of oversight on progress in detail to allow action to be taken as required.

### Partnerships

The Council has a number of partnership arrangements in place, through which the Council works to deliver services in line with its ambitions and priorities. These include having shared service for internal audit and being a part of the Leicester and Leicestershire Enterprise Partnership (LLEP) which aims to drive economic prosperity across the Leicester and Leicestershire area through strong partnerships, robust intelligence and innovation. There are relevant governance frameworks in place for these arrangements and the Council continues to keep its role in these activities under review.

### Procurement

The Council has a Procurement Strategy and set of Contract Procurement Rules which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.**

# 04

Section 04:

## **Other reporting responsibilities and our fees**

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# 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

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.



## 4. Other reporting responsibilities and our fees

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

We expect our final audit fees to be as follows.

Area of work	2020/21 fees	2021/22 (estimate)
Scale fee in respect of our work under the Code of Audit Practice	£38,902	£38,902
Additional fees in respect of the new VFM approach (Year 1)	£8,770	£7,500
Additional fee for VFM significant weaknesses	£3,000	-
Additional fees in respect of:		
• Prior period error	£4,080	-
• Additional testing on IAS19 Pension Liabilities*	£3,740	£3,740
• Additional testing on valuation of land, buildings, council dwellings and investment properties*	£6,200	£6,200
• Additional work arising from introduction of new auditing standards (ISA 540 Estimates)	£3,590	£3,590
• Additional checks required for the emphasis of matters in relation to the material valuation uncertainty clause caused by covid-19	£1,000	-
• Delayed audit, including redeployment of staff, and addressing issues in asset valuation and other audit adjustments	£7,500	-
<b>Total fees</b>	<b>£76,782</b>	<b>£59,932</b>

\*In respect of additional testing expectations raised by the regulator. The Council was provided with a grant of £20,054 to contribute towards additional audit fees.

All fee variations are subject to approval and confirmation by Public Sector Audit Appointments Limited.

### Fees for other work

We confirm that we undertook the following non-audit services for the Council in the year:

- Certification of the Housing Benefit Subsidy Claim £8,120
- Pooling of Housing Capital Receipts Return £3,100

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.