



TO COUNCILLOR:

N Alam
Miss P V Joshi

J Kaufman
K J Loydall (Chair)

D W Loydall
Dr I K Ridley

Dear Sir or Madam

I hereby **SUMMON** you to attend a meeting of the **AUDIT COMMITTEE** to be held **BY REMOTE VIDEO CONFERENCE (SEE INSTRUCTIONS BELOW)** on **WEDNESDAY, 14 APRIL 2021** at **4.00 PM** for the transaction of the business set out in the Agenda below.

Yours faithfully

Council Offices
Wigston
13 April 2021

Mrs Anne E Court
Chief Executive



SPECIAL NOTE:

This remote meeting is convened and held in accordance with section 78 of the Coronavirus Act 2020 and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 to which Part 4, Section 1A of the Council's Constitution (Remote Meeting Procedure Rules) will apply. This meeting is open to the press and public to observe by streaming the meeting's live proceedings. Instructions regarding the access arrangements for this meeting are below.

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Report of Head of Finance / Acting Section 151 Officer

For more information, please contact:

Democratic Services

Oadby and Wigston Borough Council
Council Offices
Station Road, Wigston
Leicestershire
LE18 2DR

t: (0116) 257 2775

e: democratic.services@oadby-wigston.gov.uk



Customer Service Centre: 40 Bell Street, Wigston, Leicestershire LE18 1AD
Council Offices: Station Road, Wigston, Leicestershire LE18 2DR
Tel: (0116) 288 8961 **Fax:** (0116) 288 7828



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Updated Interim Audit Findings for Oadby and Wigston Borough Council

Year ended 31 March 2020

April 2021

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Private and Confidential

Oadby & Wigston Borough Council
 Council Offices
 Station Road
 Wigston
 Leicestershire
 LE18 2DR

Grant Thornton UK LLP
 Colmore Plaza
 Birmingham
 B4 6AT

T +44 (0) 121 212 4000
www.grant-thornton.co.uk

12 April 2021

Dear Members

Updated Interim Audit Findings for Oadby & Wigston Borough Council for the year ending 31 March 2020

This report presents the updated interim findings arising from our audit of the Council's accounts for the year ended 31 March 2020. We were due to have concluded our audit in time to present our full Audit Findings Report to the November 2020 meeting of the Audit Committee but, for the reasons set out in this report, this has not been possible. We presented an interim report to the September 2020 meeting and this updated interim report is being submitted to the April 2021 Audit Committee meeting in order to inform you as 'Those Charged with Governance' of the progress on the audit, the key findings so far and the reasons for the delay. We will present our full report to the committee prior to issuing our opinion.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

Yours sincerely

Grant Patterson
 Engagement Lead

Executive summary

Purpose of this report

This Interim Audit Findings report updates Members on progress arising from our audit of Oadby & Wigston Borough Council's (the Council) accounts for the ended 31st March 2020. We were due to have concluded our audit in time to present our full Audit Findings Report to the November 2020 meeting of the Audit Committee (the Committee), but for the reasons set out in this report, this has not been possible.

We presented an interim report to the September 2020 meeting and this updated interim report is being submitted to the April 2021 Audit Committee (the Committee) meeting in order to inform you as 'Those Charged with Governance' of the progress on the audit, the reasons for the delays, the key findings so far and the plan to complete the audit.

This interim report intentionally does not cover all of our duties and responsibilities, and nor does it therefore meet all of the areas we are required to report to you under *International Auditing Standard 260 – Communicating with Those Charged with Governance*. We will issue our full report to the Committee in due course that will address all the required areas.

Background

We presented an interim audit findings report to the November 2020 Committee meeting. This report highlighted that there was a significant amount of work in progress including:

- a significant number of audit questions related to the Collection Fund where, in association with officers, we have identified issues in respect of the year end debtor balances and income. Officers are currently updating the figures originally reported and preparing updated financial statements
- in response to findings from the Financial Reporting Council all auditors have been asked to be more challenging in respect of review of the information supporting the assumptions and work of valuers for Property Plant & Equipment (PP&E). This has introduced a new level of granularity to the audit evidence required. The evidence is held in a number of different places and different forms. The Council has had difficulty in providing this, with the pandemic making collation more difficult, but is now close to having pulled it all together.

- within Council dwellings the Council has identified that up to 100 properties may not have been assigned to the correct beacons for valuation purposes. Officers are currently working through whether this would have a material impact upon the accounts.

Progress

Officers have continued to work with us to provide the necessary information and evidence the outstanding areas.

Collection Fund

Our initial testing identified that the NNDR arrears balance had not changed from 2018/19. This prompted further review which identified that all NNDR balances in the financial statements had not been updated from 31 March 2019. This matter is also linked to differences between the NNDR3 return made to Government and the financial statements that officers had identified in July.

In March 2021 we were provided with updated NNDR system reports, however we are still awaiting revised figures for the precepts and NNDR appeals provision.

Valuation of PP&E

As part of our work on the valuation of other land and buildings we selected a sample of 13 properties. Part of the testing involved agreeing the basis of the valuation (i.e. floor areas) to supporting documentation. After discussions with both the Council and the Valuer the original records are not available. To support these floor areas the Council has used geographic information system (GIS) to calculate the external area of these buildings. We have now completed our work and this issue and identified a potential understatement of approximately £280k. Officers are not proposing to amend the accounts for this misstatement and we will report this in our Audit Findings Report as an unadjusted error along with recommendations for improvement in this area.

Categorisation of Council Dwellings

An reconciliation between the fixed asset register and Orchard Housing System has been undertaken by officers and this has identified a number of differences. Council dwellings are valued on a beacon principle and the officers are proposing a number of adjustments to the number of properties in each beacon. This includes three new beacons for four bedroom properties. We are currently waiting for the valuer's valuation for these new beacons. Officers have agreed to amend the financial statement for these re-categorisations and estimate the adjustment to be an increase in valuation of between £250k - £300k.

Status of the audit

The outstanding matters as at the time of writing are set out below.



- receipt of the valuations for the 4 bedroom beacons
- receipt of an updated NNDR Appeal provision
- receipt of NNDR apportionment



- receipt of a working paper to support the apportionment of management costs recharged to the HRA
- completion of our work on the EFA note



- receipt of the Council's WGA pack and completion of our procedures thereon
- receipt of the Council's responses to queries raised as part of our review of the financial statements
- obtaining and reviewing the updated financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- receipt of the remaining evidence to for our journal sample

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Status

- **Red** - Likely to result in material adjustment or significant change to disclosures within the financial statements or impact upon our auditor's report
- **Amber** - Potential to result in material adjustment or significant change to disclosures within the financial statements or impact upon our auditor's report
- **Green** - Not considered likely to result in material adjustment or change to disclosures within the financial statements or impact upon our auditor's report

VfM Conclusion

Since completing our work on the VfM conclusion the Council have approved the 2021/22 budget and updated its Medium Term Financial Strategy. We will need take account of this in our VfM work although at this time we have not identified any new issues in respect of financial sustainability since our interim findings in September 2020. However, given:

- the delays in finalising the 2019/20 financial statements, and that the
- Council is also operating with a number of interim officers in place following the recent departure of the Deputy Chief Executive (and acting Section 151 officer) in March 2021 and Director of Finance in February 2020,

we will we will need to consider whether there is any impact from these issues on our value for money responsibilities

Way Forward

Officers are working to provide the outstanding information and producing a set of revised financial statements. Once we receive this information we will be able to complete our audit testing and produce our final Audit Findings Report and form our audit opinion.



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