



**TO COUNCILLOR:**

Miss P V Joshi  
J Kaufman

K J Loydall (Chair)  
D W Loydall

Mrs S B Morris  
Dr I K Ridley

Dear Sir or Madam

I hereby **SUMMON** you to attend a meeting of the **AUDIT COMMITTEE** to be held at the **COUNCIL OFFICES, STATION ROAD, WIGSTON** on **WEDNESDAY, 28 JULY 2021** at **4.00 PM** for the transaction of the business set out in the Agenda below.

Yours faithfully

Council Offices  
Wigston  
**23 July 2021**

**Mrs Anne E Court**  
Chief Executive



**IMPORTANT COVID-19 NOTICE**

In-person Council and Committee meetings which are open to the press and public to observe have resumed from 7 May 2021 following the expiry of the Regulations that allowed local authorities to hold remote meetings.

Whilst most of these meetings will take place in the Council Chamber at the Council Offices in Wigston, it may be necessary to host a meeting at an alternative venue and/or at short notice. This will allow all attendees to maintain social distancing and follow the latest COVID-secure guidelines.

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| <u>ITEM NO.</u> | <u>AGENDA UPDATE</u>   | <u>PAGE NO'S</u> |
|-----------------|--|------------------|
| 9.              | <b>External Audit Report – Statement of Accounts (2019/20)</b> | <b>3 - 42</b>    |

**For more information, please contact:**

**Democratic Services**  
Oadby and Wigston Borough Council  
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# Agenda Item 9



|                        |                                    |  |
|------------------------|------------------------------------|--|
| <b>Audit Committee</b> | <b>Wednesday, 28 July<br/>2021</b> | <b>Matter for<br/>Information and<br/>Decision</b> |
|------------------------|------------------------------------|--|

**Report Title:** **Statement of Accounts and Annual External Audit ISA 260 Governance Report (2019/20) Progress Report**

**Report Author(s):** **Comie Campbell (Head of Finance/Acting Section 151 Officer)**

|   |   |
|---|---|
| <b>Purpose of Report:</b>   | To update Members on the 2019/20 Statement of Accounts Audit.   |
| <b>Report Summary:</b>  | The Council's draft accounts were approved by the Section 151 Officer in August 2020, and have been subject to detailed audit by our external auditors, Grant Thornton. Whilst the audit has yet to be completed, as at the date of this report, the Council is anticipating that Grant Thornton issue an unqualified audit opinion for the Statement of Accounts. In accordance with the Accounts and Audit Regulations 2015, the accounts were presented to the Audit Committee in November for their consideration and approval prior to the intended publication of the accounts by the 30 November 2020. This report is an update on the progress of the audit of the accounts since the April 2021 Audit Committee. |
| <b>Recommendation(s):</b>   | <p><b>A. That the Statement of Accounts for the year ended 31 March 2020 be reviewed and approved as previously recommended and approved at the November Audit Committee; and</b></p> <p><b>B. In order to comply with the Council's statutory obligations, it be confirmed that the Statement of Accounts for the year ended 31 March 2020 can be published and the Section 151 Officer be authorised, following consultation with the Chair of the Audit Committee, to make any changes to the accounts that may be agreed with Grant Thornton LLP, the Council's External Auditors.</b></p>  |
| <b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b> | <p>Comie Campbell (Head of Finance/ Acting Section 151 Officer)<br/>(0116) 257 2713<br/><a href="mailto:Comie.Campbell@oadby-wigston.gov.uk">Comie.Campbell@oadby-wigston.gov.uk</a></p> <p>Rakhi Patel (Interim Closedown Accountant)<br/>(0116) 257 2679<br/><a href="mailto:Rakhi.Patel@oadby-wigston.gov.uk">Rakhi.Patel@oadby-wigston.gov.uk</a></p>   |
| <b>Corporate Objectives:</b>  | Providing Excellent Services (CO3)  |
| <b>Vision and Values:</b>   | "A Stronger Borough Together" (Vision)<br>Accountability (V1)   |
| <b>Report Implications:-</b>  |   |
| Legal:  | There are no implications arising from this report.   |
| Financial:  | The implications are as set out in this report.   |

|  |  |
|--|--|
| Corporate Risk Management:                 | Decreasing Financial Resources / Increasing Financial Pressures (CR1)<br>Reputation Damage (CR4)<br>Regulatory Governance (CR6)  |
| Equalities and Equalities Assessment (EA): | There are no implications arising from this report.<br>EA not applicable   |
| Human Rights:                              | There are no implications arising from this report.  |
| Health and Safety:                         | There are no implications arising from this report.  |
| <b>Statutory Officers' Comments:-</b>      |  |
| Head of Paid Service:                      | The report is satisfactory.  |
| Chief Finance Officer:                     | As the author, the report is satisfactory.   |
| Deputy Monitoring Officer:                 | The report is satisfactory.  |
| <b>Consultees:</b>                         | None.  |
| <b>Background Papers:</b>                  | <ul style="list-style-type: none"> <li>• The Accounts and Audit (England) Regulations 2011</li> <li>• Delivering Good Governance in Local Government: Framework</li> </ul>                             |
| <b>Appendices:</b>                         | <ol style="list-style-type: none"> <li>1. Draft Statement of Accounts (2019/20)</li> <li>2. OWBC Audit Finding Report (Final) (2019/20)</li> <li>3. OWBC Letter of Representation (2019/20)</li> </ol> |

## 1. Introduction and Background

- 1.1 The publication of the Statement of Accounts is governed by the requirements of the Accounts and Audit (England) Regulations 2011. These require the Statement of Accounts to be certified by the Council's Section 151 Officer as presenting a true and fair view of the financial position of the Council by the 31 May each year. The accounts must then be submitted for external audit to published audited accounts by no later than the 31 July each year.
- 1.2 However, due to the COVID-19 pandemic, the deadlines have been altered, with the accounts being presented by 31 August 2020, with the audited accounts to be published by 30 November 2020. The audit of the accounts is still ongoing so the accounts have not yet been published.
- 1.3 Following certification by the Section 151 Officer in August 2020, the accounts have been subject to detailed and rigorous review by the Council's external auditors, Grant Thornton. The audit report is being finalised at the time of writing this report, but we expect the auditors are planning to issue an unqualified opinion. Grant Thornton will present their External Audit Report (ISA 260) on the Accounts at this meeting.
- 1.4 In compliance with the Accounts and Audit Regulations, the Accounts were made available for public inspection during the audit. This period has concluded, and until the conclusion of the audit, electors or their representatives were able to question or raise objections with the external auditor. No questions or objections were raised at the time of writing this report.
- 1.5 There have been some adjustments made to the accounts. They relate mainly to presentational issues and in house system issues and will ensure the Council complies with

technical accounting regulations, specifically CIPFA's Code of Practice on Local Authority Accounting. Additionally, there is a potential change to the valuation of our housing assets. Given the audit is still ongoing, the Committee is recommended to continue to delegate responsibility for finalising the accounts to the Section 151 Officer in liaison with the Committee Chair.

- 1.6 It is a requirement of external audit the Section 151 Officer signs a letter of representation confirming they have the responsibility for the proper administration of the financial affairs of the authority and the duties this entails have been undertaken. The draft letter will be signed nearer to the date of the approval of the accounts.
- 1.7 The Accounts have previously been presented to the Audit Committee in November 2020 where the recommendation to approve the accounts was agreed by this Committee. It is requested that the Committee to continue its recommendation to approve the Accounts. This will allow Grant Thornton to provide their formal opinion on the Accounts and formally conclude the audit. The accounts will then be published on the Council's website.



# The Audit Findings for Oadby & Wigston Borough Council

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Year ended 31 March 2020

July 2021

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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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Nuneaton and Bedworth Borough ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

| Covid-19                                    |   |   |
|---|---|---|
| <p data-bbox="49 702 89 861">~ Page 8 ~</p> | <p data-bbox="224 383 784 446">The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council.</p> <p data-bbox="224 446 784 574">Given the Council's size this has put significant demands on the Council's Officers to delivery services and provide support to the Borough's population and businesses.</p> <p data-bbox="224 574 784 750">The Council's revenues and finance team have ben put under significant pressure to deliver a range of support grants and Covid returns during this time, while also preparing financial statements for the year.</p> <p data-bbox="224 750 784 1053">Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit this was to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p> | <p data-bbox="784 383 2172 446">We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in April 2020. In that addendum we reported an additional financial statement level significant risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p data-bbox="784 446 2172 542">Restrictions for non-essential travel have meant both Council and audit staff have had to work remotely throughout the audit visit, utilising screen-sharing software in order to gain sufficient assurance over the completeness and accuracy of the data being provided to the audit team.</p> <p data-bbox="784 542 2172 686">Management provided draft financial statements for audit on 21 August 2020. As agreed with officers we planned to spend a week on the audit at this time to select samples for substantive testing to then recommence work in mid September. We were unable to pick samples for debtors, creditors or PP&amp;E revaluations at this time, as the information was not yet available, and this element of the audit was therefore delayed.</p> <p data-bbox="784 686 2172 782">On our return in September there were still some areas where evidence and supporting information that had been requested was not available and there continued to be items outstanding as at the time of writing our draft AFR in late October.</p> <p data-bbox="784 782 2172 1053">We have worked constructively with the finance team to ensure that we jointly managed an unprecedented situation effectively, including the departure of both the Director of Finance and Head of Finance and more latterly the Deputy Chief Executive. The Council now has an interim Director of Finance on a 2 year fixed term contract and is starting the recruitment process for a permanent position, has recruited to the Head of Finance position and has a specific interim role to closedown the 2020/21 accounts. The Council will also have a new Revenues &amp; Benefits Director. Looking forward into the current year we can therefore see that the Council has taken steps to address some of the challenges it experienced in 2019/20, however as it has been going through this process there have been issues that have impacted adversely on the efficiency of our 2019/20 accounts audit:</p> <ul data-bbox="784 1053 2172 1495" style="list-style-type: none"> <li data-bbox="784 1053 2172 1133">• We agreed our working paper requirements before the start of the audit, but these were not all available when the audit started</li> <li data-bbox="784 1133 2172 1388">• The Financial Reporting Council's expectation for auditor's to be able to demonstrate increased scepticism and challenge has meant that the depth of our enquiry has increased and, as a result, the levels of information required from the Council to respond to it has also substantially increased i.e. as noted on page 9, floor areas of buildings. Whilst the Council does hold these they have not been regularly required for audit and as a result we experienced difficulties in obtaining appropriate working papers in a timely manner which meant that some procedures were delayed and ultimately the Council had to use alternative methods in order to demonstrate that the figures were not materially misstated. The focus on these areas will continue into future years and it is therefore important that the Council improves its arrangements for recording and retaining information that supports its key assumptions.</li> <li data-bbox="784 1388 2172 1495">• In August 2020 we informed management that figures in the Collection Fund had not changed from 2018/19 It was acknowledged that an updated set of Collection Fund accounts needed to be produced. These were received in May 2021, hence delaying the completion of the audit.</li> </ul> |



# Headlines (continued)

This table summarises the key findings and other matters arising from the statutory audit of Oadby & Wigston Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

|                                    |  |   |
|------------------------------------|--|---|
| <p><b>Financial Statements</b></p> | <p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> | <p>Our audit work has been completed remotely during August 2020 – July 2021. Completion of the audit has been significantly delayed due to issues with the Collection Fund and the valuation of Land &amp; Buildings and Council Dwellings.</p> <p>Our findings are summarised on pages 5 to 14. We have identified a number of adjustments to the financial statements that have resulted in a material £0.491m adjustment to the Council's Comprehensive Income and Expenditure Statement. Due to the nature of local government financial reporting there is no significant impact upon the Council's general fund balance as the amendments are reversed out in the Movement in Reserves Statement (MIRS ) to unuseable reserves i.e. the Capital Adjustment Account, Revaluation Reserve, Pensions Reserve and Accumulated Absences reserve.</p> <p>There is one item to the value of £0.288m in respect of an extrapolated difference on the valuation of Other Land &amp; Buildings for which the Council will not be adjusting on the basis that it is not material and will be reviewed in 2021/22. The Audit Committee is asked to confirm it is in agreement with management's proposals. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion in Appendix D or further material changes to the financial statements, subject to the following outstanding matters:</p> <ul style="list-style-type: none"> <li>• receipt of management representation letter; and</li> <li>• completion of our audit closure procedures, including Whole of Government Accounts</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>We are however proposing the inclusion of an Emphasis of Matter covering two areas:</p> <ul style="list-style-type: none"> <li>• firstly, highlighting PP&amp;E valuation material uncertainties which is the basis upon which the Council's valuers have provided their valuations as a result of Covid-19, and</li> <li>• secondly, disclosures we have asked the Council to make in respect of material valuation uncertainties in respect of Pooled Property Investment Fund valuations that have been made within Leicestershire Pension Fund's accounts which administers the local government pension scheme, to which the Council contributes.</li> </ul> <p>In both cases this does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year. Such a paragraph is added to indicate a matter which is disclosed appropriately in the Council's financial statements but which we consider is fundamental to a readers' understanding of the financial statements.</p> <p>There is more detail on these on pages 6 to 15.</p> |
|------------------------------------|--|---|

## Headlines

# Headlines (continued)

This table summarises the key findings and other matters arising from the statutory audit of Oadby & Wigston Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

|                                     |  |  |
|-------------------------------------|--|--|
| <b>Value for Money arrangements</b> | Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').            | <p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Oadby &amp; Wigston Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources</p> <p>We have updated our VfM risk assessment to take into account the staff departures at the Council, in particular in relation to the departures of the Deputy Chief Executive, Director of Finance and Head of Finance.</p> <p>We also documented our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 15 to 18.</p> |
| <b>Statutory duties</b>             | <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>to certify the closure of the audit.</li> </ul> | <p>We have not exercised any of our additional statutory powers or duties.</p> <p>As reported above, we have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>  |

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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

# Audit approach

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- Page 11
- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
  - Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We amended our audit plan, as communicated to you in April 2020, to reflect our response to the Covid-19 pandemic. This included obtaining an understanding of the impact of the pandemic on the organisation and considering how this manifests in the financial statements for the period. In particular, we have increased focus on asset valuations, use of the going concern assumption and narrative disclosure as well as considering this as a potential value for money risk.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 28 July 2021, as detailed in Appendix D. These outstanding items include:

- receipt of management representation letter; and
- completion of our audit closure procedures

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We detail in the table below our determination of materiality for the Council.

|  | <b>Council<br/>Amount (£)</b> | <b>Qualitative factors considered</b>  |
|--|-------------------------------|--|
| <b>Materiality for the financial statements</b>    | 420,000                       | We determined materiality for the audit of the Council's financial statements as a whole to be £420k in our audit plan which equated to approximately 2% of the Council's 2018-19 gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.  |
| <b>Performance materiality</b>                     | 294,000                       | Performance materiality drives the extent of our testing and this was set at 70% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> <li>• We are not aware of a history of deficiencies in the control environment; and</li> <li>• There has not historically been a large number or significant misstatements arising.</li> </ul> |
| <b>Trivial matters</b>                             | 21,000                        | Triviality is the threshold at which we will communicate misstatements to the Audit Committee.   |
| <b>Materiality for Senior Officer Remuneration</b> | 25,000                        | In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.   |

# Significant audit risks

## Risks identified in our Audit Plan

### Covid- 19

## Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided in the agreed timescale;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council' property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

Our work has not identified any issues in relation to this risk.

### The revenue cycle includes fraudulent transactions (rebutted)

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Oadby & Wigston Borough Council, mean that all forms of fraud are seen as unacceptable

Therefore we did not consider this to be a significant risk for Oadby & Wigston Borough Council.

There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

Whilst not a significant risk, as part of our audit work we undertook work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.

# Significant audit risks

## Risks identified in our Audit Plan

## Auditor commentary

### Management override of controls

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates, critical judgements applied and decisions made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

### Valuation of pension fund net liability

We have, relying where appropriate on work carried out by ourselves as auditors of the Leicestershire Pension Fund:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued to the management expert (actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary, through the Pension Fund, to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- documented and evaluated the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

The Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value. Professional valuers have not been actively valuing many similar sized assets in the market due to the current lockdown environment. As such values were rolled over from the end of February 2020 with an adjustment and may be inaccurate to the true 31 March 2020 position. We will also refer to this material valuation uncertainties in our audit report as an emphasis of matter.

Our audit work to date has not identified any other issues in respect of the valuation of the Council's pension fund net liability. In August 2020 the Council received an updated IAS19 report from the Actuary the draft accounts have been updated to reflect these revised figures.

# Significant audit risks

## Risks identified in our Audit Plan

## Auditor commentary

### Valuation of land and buildings (Rolling revaluation)

We have:

- evaluated the processes, controls and assumptions put in place by management to ensure that the PP&E valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement;
- assessed the competence, capabilities and objectivity of management's experts (valuers) who carried out your PP&E valuations;
- evaluated the instructions issued by management to their management expert (a valuer) for this estimate and the scope of the valuer's work;
- communicated with the valuer about the basis on which the valuation is carried out and where necessary challenge the key assumptions
- reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding
- tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value.

The Council's valuer has prepared their valuations as at 31 March 2020. In their reports, they have confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. We will be asking officers to refer to this issue in Note 3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.

We will also refer to this material valuation uncertainties in our audit report as an emphasis of matter.

As part of our testing we selected a sample of 12 assets to agree to the source data (e.g. floor plans) used by the valuer in preparing their valuation. In all cases officers were unable to identify the source data used. Officers have provided alternative evidence to support the data used in the revaluations, however these didn't agree to the data used. We have considered these differences and extrapolated the error across the other land and buildings population, resulting in an estimated error of £0.288m. Officers have not amended the financial statements for this error as it will be addressed as part of the 2020/21 valuation which has already taken place.


We also identified issues with the categorisation of Council Dwelling within the Beacon Property valuation. We identified discrepancies between the classification of properties within the Fixed Asset Register and the housing system. Officers have identified that the housing system holds the correct categorisations and have updated the Fixed Asset Register to reflect these categorisations. This has resulted in an increase of £312k in the carrying amount of Council Dwellings. This issue also affected 2018/19 and Officers have undertaken a prior period adjustment to correct the 2018/19 figures.

## Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

| Issue  | Commentary   | Auditor view  |
|--|--|---|
| <p><b>Compilation of the Collection Fund</b></p> <p>On testing the NNDR figures within the draft financial statements we identified numerous issues with the figures included in the collection fund. We also identified that the collection fund balances within short term debtors, short term creditors and provision were the 2018/19 amounts and had not been updated for 2019/20 figures.</p> <p>~<br/>Page 15<br/>~</p> | <p>Officers have undertaken work on the NNDR figures included within the collection fund and identified that they did not agree with the NNDR3 return that was submitted to MHCLG.</p> <p>After additional work it was identified that reports had not been run on the 31 March 2020 and due to a printing error only the first half of the main NNDR report had been used to prepare the collection fund.</p> <p>Following significant work officers have been able to reconstruct the reports that should have been run on the 31 March 2020 and have rerun the main NNDR report ensuring that the full report has been used in preparing the revised collection fund.</p> | <p>This issue with the collection fund has been ongoing since August and we received revised collection fund, short term debtors &amp; creditors and provision balances in May 2021. We have now audited these revised figures and agreed them to supporting documentation.</p> <p>We have included a recommendation regarding preparation of the collection fund in Appendix A</p> |

# Significant findings – key estimates and judgements


| Accounting area                              | Summary of management's policy   | Auditor commentary   | Assessment   |
|--|--|--|--|
| <b>Other Land &amp; Buildings - £24.907m</b> | <p>Operational land and buildings comprises £24.907m of assets which are valued at existing use value (EUUV) where market data is available or if specialised i.e. leisure centres at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision</p> <p>The Council has engaged Innes England to complete the valuation of properties as at 31 March 2020, this includes all assets which are required to be measured at fair value.</p> <p>Management have demonstrated through correspondence with the valuer their challenge of assumptions used in the estimation of asset values.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures in relation to estimation uncertainty at Note 3.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work, which has included the user of our own valuer to assist with our review and challenge</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>considered the completeness and accuracy of the underlying information used to determine the estimate</li> <li>tested on a sample basis revaluations of the Council's operational properties and investment properties during the year to ensure they have been input correctly into the Council's asset register and financial statements</li> <li>considered the Council's process for reviewing the carrying value of assets not revalued in the year.</li> </ul> <p>We identified issues with the underlying data used to in the valuer's revaluation of other land and buildings. See page 8 for more information.</p> <p>Our testing also identified that the Council have assigned useful economic lives which are shorter than those recommend by the valuer. It was also identified that Belmont House had an useful economic live that wasn't within the range specified in the accounting policy. This will result in a higher annual depreciation charge for these assets.</p> |  <p><b>Yellow</b></p> |

## Assessment

- **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Yellow** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Green** - We consider management's process is appropriate and key assumptions are neither optimistic or cautious



# Significant findings – key estimates and judgements

| Accounting area                     | Summary of management's policy   | Auditor commentary   | Assessment  |
|-------------------------------------|--|--|---|
| <b>Council Dwellings - £62.789m</b> | <p>The Council owns 1,207 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Valuation Office Agency to complete the valuation of these properties. The year end valuation of Council Housing was £62.789m, a net increase of £1.368m from 2018/19.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures in relation to estimation uncertainty at Note 3.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>tested on a sample basis revaluations of the Council's council housing properties during the year to ensure they have been input correctly into the Council's asset register and financial statements</li> </ul> <p>As previously mentioned on page 8 our testing has identified issues with the categorisation of Council Dwelling within the Beacon Property valuation. This has resulted in an increase of £312k in the carrying amount of Council Dwellings. This issue also affected 2018/19 and Officers have undertaken a prior period adjustment to correct the 2018/19 figures. Details of this amendment can be found in appendix A</p> | <br><b>Green</b> |

~ Page 17 ~

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key estimates and judgements

| Accounting area                                  | Summary of management's policy   | Auditor commentary  | Assessment |               |           |            |               |      |      |  |                       |      |           |  |               |      |                 |  |  |                   |            |  |  |                   |            |  |                  |
|--|--|---|------------|---------------|-----------|------------|---------------|------|------|--|-----------------------|------|-----------|--|---------------|------|-----------------|--|--|-------------------|------------|--|--|-------------------|------------|--|------------------|
| <b>Net pension liability – £22.522m</b>          | <p>The Council's total net pension liability at 31 March 2020 is £22.522m (PY £25.358m) comprising the Leicestershire Local Government Pension Scheme and unfunded defined benefit pension scheme obligations in relation to Teachers.</p> <p>The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from (this scheme/these schemes). A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3.873m net actuarial gain during 2019/20.</p> | <p>We have</p> <ul style="list-style-type: none"> <li>Undertaken an assessment of management's expert</li> <li>Reviewed and assessed the actuary's roll forward approach taken,</li> <li>Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary. This led to further detailed discussions with the Pension Fund and Actuary whereby we challenged these assumptions and the calculation method applied</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.3%</td> <td>2.3%</td> <td></td> </tr> <tr> <td>Pension increase rate</td> <td>1.9%</td> <td>1.8% - 2%</td> <td></td> </tr> <tr> <td>Salary growth</td> <td>2.4%</td> <td>Scheme specific</td> <td></td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.2 / 21.5 years</td> <td>Consistent</td> <td></td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.2 / 23.8 years</td> <td>Consistent</td> <td></td> </tr> </tbody> </table> <p>In addition to this, we have:</p> <ul style="list-style-type: none"> <li>identified no issues with the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>confirmed there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.</li> <li>We are working to satisfied ourselves in respect of the reasonableness of: <ul style="list-style-type: none"> <li>the Council's share of pension assets.</li> <li>of the decrease in the estimate, and</li> <li>the adequacy of disclosure of estimate in the financial statements</li> </ul> </li> </ul> | Assumption | Actuary Value | PwC range | Assessment | Discount rate | 2.3% | 2.3% |  | Pension increase rate | 1.9% | 1.8% - 2% |  | Salary growth | 2.4% | Scheme specific |  | Life expectancy – Males currently aged 45 / 65 | 22.2 / 21.5 years | Consistent |  | Life expectancy – Females currently aged 45 / 65 | 25.2 / 23.8 years | Consistent |  | <br><b>Green</b> |
| Assumption                                       | Actuary Value  | PwC range   | Assessment |               |           |            |               |      |      |  |                       |      |           |  |               |      |                 |  |  |                   |            |  |  |                   |            |  |                  |
| Discount rate                                    | 2.3%   | 2.3%  |            |               |           |            |               |      |      |  |                       |      |           |  |               |      |                 |  |  |                   |            |  |  |                   |            |  |                  |
| Pension increase rate                            | 1.9%   | 1.8% - 2%   |            |               |           |            |               |      |      |  |                       |      |           |  |               |      |                 |  |  |                   |            |  |  |                   |            |  |                  |
| Salary growth                                    | 2.4%   | Scheme specific   |            |               |           |            |               |      |      |  |                       |      |           |  |               |      |                 |  |  |                   |            |  |  |                   |            |  |                  |
| Life expectancy – Males currently aged 45 / 65   | 22.2 / 21.5 years  | Consistent  |            |               |           |            |               |      |      |  |                       |      |           |  |               |      |                 |  |  |                   |            |  |  |                   |            |  |                  |
| Life expectancy – Females currently aged 45 / 65 | 25.2 / 23.8 years  | Consistent  |            |               |           |            |               |      |      |  |                       |      |           |  |               |      |                 |  |  |                   |            |  |  |                   |            |  |                  |

## Assessment

- Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Green** - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

Management has considered:

- The Council's historical balanced financial position including its level of reserves
- Oversight and assessment of financial risk and performance
- Looking forward to 2020/21 and beyond

### Work performed

- We reviewed management's assessment by:
- Ensuring the assessment concurred with our knowledge of the Council
  - Reviewing the Medium Term Financial Strategy to 2023/24 which was approved by Council in February 2019

## Auditor commentary

- We are satisfied that it is appropriate that management has used the going concern assumption in the preparation and presentation of the financial statements
- In particular, we are satisfied that management has considered all pertinent areas relevant for consideration of the Council's ability to continue as a going concern.

We are satisfied there is no material uncertainty about the Council's ability to continue as a going concern.

## Concluding comments

We are satisfied the use of the going concern assumption is appropriate.

We did not identify any events or conditions during the course of our audit that casted any significant doubt on the Council's ability to continue as a going concern.

There is no impact on our audit opinion which is unmodified in relation to Going Concern

## Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| Issue   | Auditor commentary  |
|---|---|
| <b>Matters in relation to fraud</b>                             | We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.   |
| <b>Matters in relation to related parties</b>                   | We are not aware of any related parties or related party transactions which have not been disclosed   |
| <b>Matters in relation to laws and regulations</b>              | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.  |
| <b>Written representations</b>                                  | We will be requesting a letter of representation from the Council prior to issuing our audit report. This will be circulate to members of the Audit Committee at a later date.  |
| <b>Confirmation requests from third parties</b>                 | We requested from management permission to send a confirmation request to your bank. This permission was granted and the appropriate confirmation was obtained.   |
| <b>Disclosures</b>  | Our review found no material omissions in the financial statements.   |
| <b>Audit evidence and explanations/significant difficulties</b> | Due to the departure of Director of Finance and officers with detailed knowledge of systems in use there have been difficulties in the provision of suitable audit evidence. This has been coupled with the challenge of remote working due to the ongoing pandemic alongside prioritisation of officers in responding to the pandemic within the Borough. A later commencement of the audit was agreed with officers to seek to be able to manage the delivery from both sides without incurring unnecessary additional costs. |

# Other responsibilities under the Code

| Issue  | Commentary   |
|--|--|
| <b>Other information</b>                                     | <ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect</p> |
| <b>Matters on which we report by exception</b>               | <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>                    |
| <b>Specified procedures for Whole of Government Accounts</b> | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This is not required at Oadby &amp; Wigston Borough Council as the Council does not exceed the threshold of £500m for 2019/20.</p>   |
| <b>Certification of the closure of the audit</b>             | <p>We intend to certify the closure of the 2019/20 audit of Oadby &amp; Wigston Borough Council when we issue our audit report.</p>  |

# Value for Money

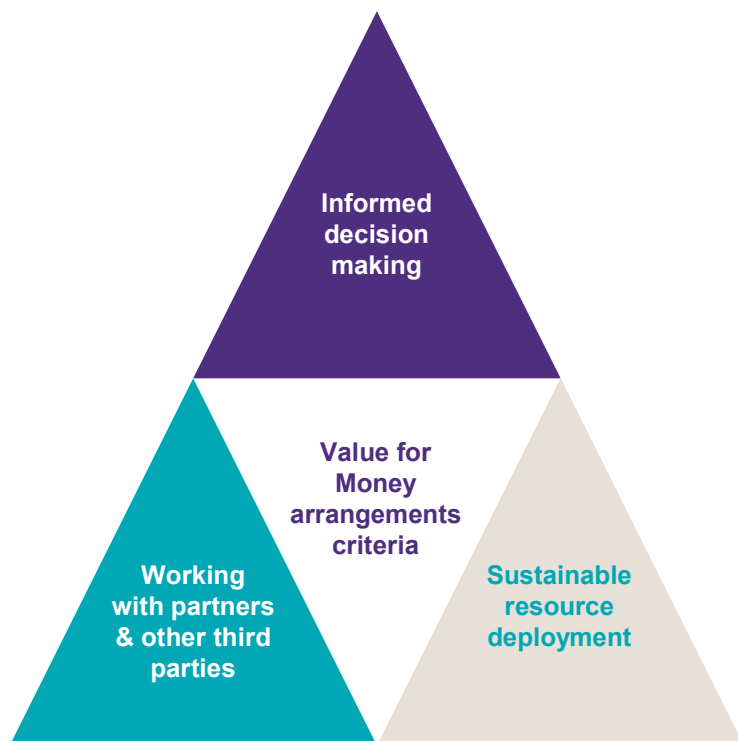
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment February 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 4 March 2020

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan:

Given the turnover of staff in the finance department and the issues in our audit we have reviewed the circumstances and consider that this is a potential issue for the value for money conclusion and have therefore added it as a significant risk.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Review of the MTFS and the 2020/21 budget and assessment of the Authority's savings/income generation plans.
- Creation of a standalone Audit Committee
- Capacity of the finance department

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 17 and 18.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### Financial Sustainability

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For 2020/21 the Council is proposing a balanced budget with the use of £101k of General Fund reserves.

The Authority has historically been able to achieve savings through making incremental changes to services and ways of working, however, there is a growing acceptance that more challenging decisions are needed to ensure financial stability in the longer term. The Council's new medium term financial strategy (MTFS) to 2024/25 has been prepared to make the Council financially sustainable and shows the Council rebuilding its general fund reserves from 2022/23. To achieve this the MTFS includes a range of savings and 'invest to save' proposals alongside a number of income generation opportunities, that result in cumulative savings of £4.9m and additional income of £3.4m over the MTFS period.

We will review the:

- Council's arrangements for identifying and agreeing savings plans and income generation to ensure that the Council is resilient to the increasing financial challenges of future years, and
- the outturn for 2019/20 and the updated MTFS to 2024/25 to gain a better understanding of how the Council plans to remain financially sustainable in the medium to long term.

### Findings

The Council reported an overspend of £72k on its net expenditure revised general fund budget for 2019/20. General Fund reserve stands at £1.004m with an additional £2.195m of earmarked general fund reserves as at 31 March 2020.

From a review of 2018/19 Value for Money Profiles because of its size the Council's absolute reserves level are in the lower quartile nationally. In relation to reserves the Council is below the mean for unallocated reserves as a % of expenditure when compared to other District Councils (4% versus a mean of 13%) and are also below the mean for earmarked reserves (19% versus a mean of 37%). However, the Council has set a minimum General Fund reserve balance (excluding earmarked reserves) of 10% of net expenditure (£649.5k) and the current General Fund reserve is therefore above this and an increase from last year. Based upon its historic financial management this level should give the Council sufficient resilience in the short-term.

In February 2020 the Council set a General Fund balanced net budget of £6.119m for 2020/21. The Authority has also set a balanced HRA budget. At Quarter 2 of 2020/21 the Council has reported an adverse variance of £251k against this budget. The main reason for this variance is the current pandemic, which has a net impact of £167k. The pandemic has led to the Council incurring additional costs of £384k (a mixture of supplies and additional staff costs) and income losses of £1,192k. The Council has received government grants of £1,409k in the first half of the year leaving unfunded costs of £167k in relation to Covid-19.

The outturn for 2020/21 resulted in an underspend of £296k against the revised budget. This was mainly due to additional income relating to Covid 19 and Garden Waste.

The Council approved the 2021/22 budget in February 2021 and set a General Fund balanced budget of £6.501m. As part of the budget a MTFS to 2022/23 was approved. This shows a balanced budget for 2022/23 with a use of £117k of reserves.

Like most of local government, the Council faces a challenging future driven by funding reductions and an increase in demand for services. This is further complicated by the uncertainty relating to the current pandemic which has impacted on income and expenditure of the Council. It has also delayed government decisions on the future of long-term financing of local government, particularly business rate reform, the fair funding review and the strategy for funding social care.

The Council is aware that it will need to monitor decisions from the Government with regard to funding and respond accordingly. Inevitably, there will be an ongoing need for the Council to continue revisiting its projections and forecasts as new information comes to light. This may involve making difficult and challenging decisions on priorities in order to deliver balanced budgets over the coming years, including reviewing how it delivers its services going forward, while also maintaining strict budgetary control to minimise overspends.



# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

### Findings

#### Changes in Governance Arrangements

During 2019/20 the Council have created a standalone Audit Committee. We will gain an understanding of how this change has been implemented and embedded into the Council's governance arrangements.

The Audit Committee was introduced into the Constitution on 30 July 2019, following approval by the Full Council on the same date. From a review of the Constitution the role and function of the Audit Committee are in line with our expectations. Committee members have received suitable training to help them develop in their new roles. The Committee is still embedding itself within the Council's governance arrangements but from attendance at Committee we have observed that members are developing in their roles and challenging the reports presented to the Committee.

We will:

- review the changes to the committee structure and governance arrangements.
- review the training and guidance provided to the new Audit Committee and arrangements for determining its effectiveness

#### Capacity within the Council's Finance Function

During the last year the Council has experienced a significant turnover of senior staff within the Function. This includes the Head of Finance, Director of Finance and the Deputy Chief Executive.

The Council was faced with a challenging time, the impact of Covid-19 put significant workload pressures on officers to deliver support and assistance to the population of Oadby & Wigston. This coincided with a number of staff departures and the move to remote working. This was especially significant within the Council Revenue & Benefits and Finance departments who were responsible for awarding and distributing Business Support Grants.

These capacity issues contributed to the delays in production in draft accounts and completion of the audit.

During this period the finance department brought in additional resources to address the departures of the Director and Head of Finance. These resources included a Interim Head of Finance and an interim Closedown Accountant, with the Deputy Chief Executive taking over the s151 responsibilities.

We will:

- consider the circumstances of these departures and review the Council's response to addressing the capacity going forward

Following the departure of the Deputy Chief Executive in March 2021 the interim Head of Finance has taken on the s151 responsibilities and is on a long term temporary contract. The Council have also employed a different interim closedown accountant to oversee the production of the 2020/21 financial statements.

Going forward the Council will need to ensure that it has in place sufficient capacity at senior levels and within the finance department.

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

# Independence and ethics

## Audit and Non-audit services





For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

|   | Fees £         | Threats identified                               | Safeguards   |
|---|----------------|--|--|
| <b>Audit related</b>                            |                |  |  |
| Certification of Housing Benefit Claim          | 10,250         | Self-Interest (because this is a recurring fee)  | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,250 in comparison to the total scale fee for the audit of £39,194 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
|   |                | Self review (because GT provides audit services) | To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.   |
| Certification of Housing capital receipts grant | 3,250          | Self-Interest (because this is a recurring fee)  | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,250 in comparison to the total scale fee for the audit of £39,194 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  |
|   |                | Self review (because GT provides audit services) | To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.   |
| <b>Non-audit related</b>                        |                |  |  |
| None  |                |  |  |
| <b>TOTAL</b>                                    | <b>£13,500</b> |  |  |




These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

# Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment   | Issue and risk   | Recommendations   |
|--|--|---|
| <br><b>High</b>   | <b>Other Land &amp; Buildings Revaluations – Source Data</b><br>The Council and valuer were unable to provide the original source data used in the revaluation of a sample of other land & buildings assets.   | The Council should ensure that it holds the source data used by the valuer in revaluing Other Land & Buildings Assets<br><b>Management response</b><br>Steps are being taken to facilitate this recommendation.   |
| <br><b>Medium</b> | <b>Finance Function Capacity</b><br>During the last year the Council has experienced a significant turnover of senior staff within the Function. This includes the Head of Finance, Director of Finance and the Deputy Chief Executive.  | The Council needs to ensure that it has in place sufficient capacity at senior levels and within the finance department.<br><b>Management response</b><br>The Council will be reviewing the finance structure to facilitate this recommendation.  |
| <br><b>Medium</b> | <b>Collection Fund</b><br>Our testing on the collection fund identified that the NNDR figures used in the collection fund didn't agree to supporting evidence. We also identified that the collection fund balances within short term debtors, short term creditors and provision were the 2018/19 amounts and had not been updated for 2019/20 figures. | The Council should ensure that the correct reports in relation to the collection fund are run in a timely manner to enable officer to prepare an accurate collection fund statement and financial statements.<br><b>Management response</b><br>Procedures have now been put in place to ensure the correct reports are run on a timely basis for the collection fund.                     |
| <br><b>Low</b>  | <b>Property, Plant &amp; Equipment - Useful Economic Lives</b><br>The Council have assigned useful economic lives which are shorter than those recommend by their valuer. It was also identified that Belmont House had an useful economic live that wasn't within the range specified in the accounting policy.   | The Council should ensure it reviews the useful economics lives of its assets and considers these against the valuers guidance and other Local Authority practice. It should also ensure that the useful economic lives are accurately disclosed in the financial statements.<br><b>Management response</b><br>These recommendations will be incorporated in future financial statements. |

## Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

| Detail   | Comprehensive Income and Expenditure Statement £'000  |                | Statement of Financial Position £' 000  |                                | Impact on total net expenditure £'000 |
|--|---|----------------|---|--------------------------------|---------------------------------------|
| <b>2019/20 Financial Statements</b>  |   |                |   |                                |                                       |
| Revised IAS19 figures following an updated actuarial report  | Dr Finance and Resources Expenditure<br>£82   | £82            | Cr Pension Reserve and Other Long Term Liabilities  | £(82)                          | £82                                   |
| Amendments due to the reclassification of Council Dwellings within the Beacon Property revaluation approach                          | Cr HRA Expenditure £(616)<br>Dr Surplus / Deficit on revaluation of PPE £132                      | £(616)<br>£132 | Dr PPE<br>Dr Revaluation Reserve<br>Cr Capital Adjustment Account   | £312<br>£678<br>£(990)         | £(484)                                |
| Amendments due to the production of a revised Collection Fund Account  | Cr Taxation and Non-specific Grant Income and Expenditure<br>Cr Finance and Resources Expenditure | £(68)<br>£(21) | Dr Short Term Debtors<br>Cr Short Term Creditors<br>Dr Short Term Provisions<br>Cr Collection Fund Adjustment Account | £203<br>£(294)<br>£56<br>£(21) | £(89)                                 |
| Correction of the Accumulated Staff Absence Provision to agree to the ledger   | 0   | 0              | Dr Accumulated Staff Absences Reserve<br>Cr Short Term Provisions   | £30<br>£(30)                   | 0                                     |
| <b>Overall impact</b>  |   | <b>£(491)</b>  |   |                                | <b>£(491)</b>                         |
| <b>2018/19 Comparators</b>   |   |                |   |                                |                                       |
| Prior Period Adjustments amendments due to the reclassification of Council Dwellings within the Beacon Property revaluation approach | Cr HRA Expenditure £(292)<br>Dr Surplus / Deficit on revaluation of PPE £343                      | £(292)<br>£343 | Dr PPE<br>Dr Revaluation Reserve<br>Cr Capital Adjustment Account   | £(172)<br>£570<br>£(398)       | £51                                   |
| <b>Overall impact</b>  |   | <b>£51</b>     |   |                                | <b>£51</b>                            |

# Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission         | Detail   | Adjusted? |
|-----------------------------|--|-----------|
| Collection Fund             | The Collection Fund Statement has been amended to include the correct NNDR figures.          | ✓         |
| Note 10 Capital Commitments | The note included disclosures relating to commitments where there was no contract commitment | ✓         |
| Annual Governance Statement | The statement included a number of out of date references                                    | ✓         |

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail   | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000                                  | Impact on total net expenditure £'000 | Reason for not adjusting   |
|--|--|---|---------------------------------------|--|
| The Council and valuer were unable to provide the original source data used in the revaluation of a sample of other land & buildings assets. Officers have provided alternative evidence to support the data used in the revaluations, however these didn't exactly agree to the data used. We have extrapolated this difference and estimate the total difference to be £288k | 0  | Dr Other Land and Buildings £288<br>Cr CAA / Revaluation Reserve £(288) | 0                                     | This issue will be address in 2020/21 financial statements as part of the 2020/21 revaluation exercise that has already taken place. |
| <b>Overall impact</b>  | <b>£0</b>  | <b>£0</b>   | <b>£0</b>                             |  |

# Fees

We confirm below our proposed final fees for the audit

| <b>Audit fees</b>  | <b>Proposed fee</b>          |
|--|------------------------------|
| Council scale fee  | £32,944                      |
| Additional proposed audit fee at planning stage                | £6,200                       |
| <b>Total proposed audit fees (excluding VAT) at planning</b>   | <b>£39,144</b>               |
| Further additional fees proposed at completion                 | £22,806                      |
| <b>Total proposed audit fees (excluding VAT) on completion</b> | <b>£62,000 (TBC by PSAA)</b> |

The Oadby & Wigston Borough Council Audit Plan presented in March included £6,200 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19 and encountered delays in finalising the audit. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £22,806 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £62,000. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last year and note that the Covid-19 issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

## Appendix C

**Final proposed audit fees**

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval

| <b>Audit area</b>   | <b>£</b>      | <b>Rationale for fee variation</b>  |
|---|---------------|---|
| <b>2019/20 Scale fee</b>  | <b>32,944</b> |   |
| <b>Raising the bar (increased challenge and depth of work)</b>      | 2,500         | The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.   |
| <b>PPE Valuation – work of experts</b>                              | 1,250         | We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.   |
| <b>Pensions – valuation of net pension liabilities under IAS 19</b> | 1,250         | We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.   |
| <b>New standards and developments</b>                               | 1,200         | PSAA's original scale fee for this contract was set in March 2018, so any new developments since that time need to be priced in.  |
| <b>Revised planning fee</b>   | <b>39,194</b> |   |
| <b>~ Covid-19</b>   | 5,879         | <p>The current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:</p> <ul style="list-style-type: none"> <li>• Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.</li> <li>• Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management.</li> <li>• Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.</li> <li>• Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.</li> <li>• Remote working has also highlighted the complexity of the Council's underlying financial systems. Certain reports have taken longer to obtain in an appropriate format than would be expected, for example Journal, NNDR, debtor and creditor reports.</li> </ul> |
| <b>Audit overrun</b>  | 16,927        | <p>It has taken around an additional 40 days of audit inputs in order to complete our work on the 2019/20 financial statements. The key areas have been additional:</p> <ul style="list-style-type: none"> <li>• catch up calls with the Council's Finance team which have involved the Engagement Lead, Engagement Manager and Assistant Manager</li> <li>• audit procedures in respect of auditing the movement in council dwelling valuations</li> <li>• audit procedures in respect of reviewing the alternative approach to other land and building floor areas</li> <li>• work required to audit the collection fund then re-audit the updated collection fund</li> <li>• time to obtain sufficient audit assurance through working papers on other account balances</li> </ul>   |
| <b>Total proposed audit fees on completion</b>                      | <b>62,000</b> |   |



# Fees

| <b>Non-audit fees for other services</b>          | <b>Proposed fee</b> | <b>Final fee</b> |
|---|---------------------|------------------|
| Audit Related Services                            |                     |                  |
| • Housing Benefit (Subsidy) Assurance Process     | £10,250             | £10,250          |
| • Certification of Housing capital receipts grant | £3,250              | £3,250           |
| Non- Audit Related Services                       | N/A                 | N/A              |
| • None  |                     |                  |
| <b>Total non- audit fees (excluding VAT)</b>      | <b>£13,500</b>      | <b>£13,500</b>   |

# Audit opinion

We anticipate we will provide the Council with an unmodified audit report

## Independent auditor's report to the members of Oadby & Wigston Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Oadby & Wigston Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements, Notes to the Housing Revenue Account Statement and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Head of Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

# Audit opinion

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Head of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

## **Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments**

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 3 to the financial statements, [the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

## Other information

[The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.](#)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

# Audit opinion

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance.

The Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

# Audit opinion

## Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Oadby & Wigston Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Patterson, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham



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[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
BIRMINGHAM  
B4 6AT

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

**Oadby & Wigston Borough Council**  
**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Oadby & Wigston Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged

- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 48 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

#### **Information Provided**

- xvi. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
  - a. management;



- b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 28 July 2021.

Yours faithfully

Name.....

Position.....

Date.....

| Detail   | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000                                  | Impact on total net expenditure £'000 | Reason for not adjusting   |
|--|--|---|---------------------------------------|--|
| The Council and valuer were unable to provide the original source data used in the revaluation of a sample of other land & buildings assets. Officers have provided alternative evidence to support the data used in the revaluations, however these didn't exactly agree to the data used. We have extrapolated this difference and estimate the total difference to be £288k | 0  | Dr Other Land and Buildings £288<br>Cr CAA / Revaluation Reserve £(288) | 0                                     | This issue will be address in 2020/21 financial statements as part of the 2020/21 revaluation exercise that has already taken place. |
| <b>Overall impact</b>  | <b>£0</b>  | <b>£0</b>   | <b>£0</b>                             |  |