

The Draft Audit Findings for Oadby & Wigston Borough Council

Year ended 31 March 2022

Oadby & Wigston Borough Council

January 2023



Contents



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This Audit Findings 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. Its contents have been discussed with management and the Audit Committee.

Name : Grant Patterson
For Grant Thornton UK LLP
Date : January 2023

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

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1. Headlines

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 2022 for those charged with governance.

Financial Statements

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 give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- 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.

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.

Our audit work was completed on site/remotely during September 2022 –January 2023. Our findings are summarised on pages 2 to 17.

We have identified:

- One adjustment to the financial statements in respect of the failure to write out the asset 'Customer Service Centre Fittings' as it was no longer in use by the Council. The asset value of £376k has been written and a £114k adjustment made to the Council's Comprehensive Income and Expenditure Statement (CIES)
- An amendment to reflect the transfer of the Oadby Pool asset (£246k) from investment properties to surplus assets. This was identified in the prior year but the draft 2021/22 financial statements were prepared before this was amended.
- That the Council has not applied its Policy on the Minimum Revenue Provision correctly. We estimate that an additional £162k should be charged to the General Fund balance through the MiRS. Management are not proposing to amend the accounts as the sum is not material quantitatively or qualitatively.
- A number of adjustments to disclosures. The most significant is within Note 10 Property, Plant & Equipment where our testing identified that fully depreciated assets relating to IT equipment (Gross Book Value £799k) are no longer in use by the Council and need to be written out of the financial statements. As the net book value of these is zero there is no impact upon the net worth of the Council.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A.

Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- completion of our work on PP&E revaluations
- receipt of management representation letter ; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on pages 18 & 19. Our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We have made improvement recommendations but are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources in 2021/22.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on WGA.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. There has been a significant improvement in the Council's overall arrangements for preparing its financial statements in 2021/22. The Council is making progress but PP&E valuations and accounting continue to be the challenging areas of the audit.

Management's assumptions and estimates

The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations.

For property valuations in particular, there has been significant enquiry and challenge with the Council's valuer over the inputs and assumptions applied, as discussed on page 8. Our work in this area is still ongoing.

2. Financial Statements

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:

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

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 25 January 2023. These outstanding items include:

- completion of our work on PP&E revaluations
- receipt of management representation letter ; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



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.

Materiality levels remain the same as reported in our audit plan.

We detail in the table our determination of materiality for Oadby & Wigston Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£500,000	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 1.6% of gross expenditure in the draft 2021/22 financial statements.
Performance materiality	£325,000	Based on the internal control environment at the Council we determined that 65% of headline materiality would be an appropriate benchmark.
Trivial matters	£25,000	We decided that matters below 5% of materiality were trivial.
Materiality for Senior Officer Remuneration	£8,500	We identified senior management remuneration as a sensitive item and set a lower materiality of £8,500 for testing these items which is approximately 2% of expenditure.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Fraud in revenue recognition (rebutted)	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>Therefore we did not consider this to be a significant risk for Oadby & Wigston Borough Council.</p> <p>There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.</p> <p>Whilst not a significant risk, as part of our audit work we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.</p>
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Having considered the risk factors set out in Practice Note 10 and the nature of expenditure at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition. • opportunities to manipulate expenditure 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. <p>Therefore we did not consider this to be a significant risk for Oadby & Wigston Borough Council.</p> <p>There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.</p> <p>Whilst not a significant risk, as part of our audit work we have undertaken work on material expenditure items. Our work has not identified any matters that would indicate our rebuttal was incorrect.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course the course of business as a significant risk of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

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

Valuation of the net defined benefit pension fund liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an 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 Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary 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
- requested assurances from the auditor of Warwickshire Pension Fund as to 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.

Our audit work has not identified any issues.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Authority revalues its land and buildings on an annual basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the number involved and the sensitivity of this estimate to changes in key assumptions.

Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statement date.

Land and Buildings

Within the valuation of the Council's Other Land and Buildings, the valuer's estimation of the value has several key inputs, which the valuation is sensitive to. These include the build costs of relevant assets carried at depreciated historic cost and any judgements that have impacted this assessment and the condition of the current assets.

For assets valued at existing use value and fair value, the key inputs into the valuation are the yields used in the valuation, including estimated future income of from the asset.

We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a significant risk.

Council Dwellings

The Council contracts an expert to provide annual valuations of council dwellings based on guidance issued by the Department for Levelling Up, Housing and Communities. They are valued using a beacon approach, based on existing use value discounted by the relevant social housing factor. Dwellings are divided into asset groups (a collection of properties with common characteristics) and further divided into archetype groups based on uniting characteristics material to their valuation, such as number of bedrooms. A sample property, the "beacon" is selected which is considered to be representative of the archetype group and a detailed inspection carried out. The valuation of this asset is then applied to all assets within its archetype.

The key inputs into the valuation are the social housing factor, consideration of market movements and the determination of the beacons.

We therefore have identified that the accuracy of the key inputs driving the valuation of council dwellings as a significant risk.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation experts
- wrote to the valuers to confirm the basis on which the valuations were carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register, and
- challenged the data and assumptions used in the valuations and agreed them back to auditor obtained supporting data

Our audit work on the valuation of the Council's land and buildings is ongoing at the time of writing this report. We will report our final conclusions to members on completion of our outstanding procedures

Our detailed assessment of the estimation process is described on pages 10 and 11 of the report.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £26.385m	<p>Other land and buildings comprises of:</p> <ul style="list-style-type: none"> specialised assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision, and assets not specialised in nature which are required to be valued at existing use in value (EUV) at year end. <p>The Council has engaged Innes England to complete the valuation of properties as at 31 March 2022, this includes all assets which are required to be measured at fair value.</p> <p>In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs and internal floor areas; and for both EUV and DRC assets: condition assessments from inspections carried out and other relevant industry guidance.</p> <p>Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.</p> <p>Management have demonstrated through correspondence with the valuer their challenge of assumptions used in the estimation of asset values.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £1.387m.</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a selection of assets – work is ongoing We have analysed the method, data and assumptions used by management to derive the estimate - work is ongoing We have reviewed and are satisfied with management's assessment that assets not valued are not materially misstated - work is ongoing The estimate is adequately disclosed in the financial statements. 	TBC

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Dwellings - £72.121m	<p>The Council owns 1,191 dwellings and is required to revalue these properties in accordance with DCLG's (now DLUHC) Stock Valuation for Resource Accounting guidance.</p> <p>The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged Innes England to complete the valuation of these properties at 31 March 2022. The year end valuation of Council Housing was £72.121m.</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective The housing stock was revalued during the year. The stock base has been split into geographical areas and beacon properties selected to represent the groupings For a sample of housing assets, we have agreed the beacon assigned to the property system and comparable market data. <i>Our work in this area is still ongoing.</i> We have considered the completeness and accuracy of the underlying information used to determine the estimate. <i>Our work in this area is still ongoing.</i> 	TBC

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £22m	<p>The Council's total net pension liability at 31 March 2022 is £22m (PY £29.26m), comprising the Leicestershire Local Government pension scheme and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from 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 £8.574m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none"> Undertaken an assessment of management's expert; Reviewed and assessed the actuary's roll forward approach taken; Used PwC as auditors expert to assess actuary and assumptions made by actuary, summarised below; <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>2.7%</td> <td>2.7 % to 2.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.15% to 3.30%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.7%</td> <td>CPI to CPI + 1%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.4 / 21.5 years</td> <td>21.4 to 24.3 years & 20.1 to 22.7 years</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.7 / 24.0 years</td> <td>24.8 to 26.7 years & 22.9 to 24.9 years</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Gained assurance on the completeness and accuracy of the underlying information used to determine the estimate Considered the impact of any changes to valuation method Assessed the reasonableness of: <ul style="list-style-type: none"> the Council's share of Leicestershire Pension Fund's pension assets. the decrease in estimate, and the adequacy of disclosures of the estimate in the financial statements. 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.7 % to 2.75%	●	Pension increase rate	3.2%	3.15% to 3.30%	●	Salary growth	3.7%	CPI to CPI + 1%	●	Life expectancy – Males currently aged 45 / 65	22.4 / 21.5 years	21.4 to 24.3 years & 20.1 to 22.7 years	●	Life expectancy – Females currently aged 45 / 65	25.7 / 24.0 years	24.8 to 26.7 years & 22.9 to 24.9 years	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious (Light Purple)</p>
Assumption	Actuary Value	PwC range	Assessment																								
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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation and Useful Economic Lives (UEL) of Fixed Assets	<p>Management set out to depreciate items of property, plant and equipment over their remaining useful lives in a manner consistent with the consumption of economic or service deliver benefits.</p> <p>Appropriate componentisation is used in calculating depreciation. Freehold land is considered to have an infinite life and is not depreciated. Assets under construction are also not depreciated in line with the CIPFA Code.</p> <p>Depreciation for the year 2021/22 was estimated to be £3.397m (£2.990m in 20/21).</p> <p>Depreciation is calculated in reference to management's assessment of the expected useful life of each asset.</p>	<p>We have:</p> <ul style="list-style-type: none"> Evaluated management's processes around depreciation Evaluated the application of the accounting policy to ensure it has been applied consistently and appropriately Assessed the reasonableness of the depreciation charge in year. <p>Findings</p> <p>We consider that management's assumptions are neither optimistic or cautious. However, our review of the UEL of Vehicle, Plant & Equipment Assets identified that a number of assets totalling £3.2m were fully depreciated.</p> <p>Of this balance £799k related to IT equipment that was no longer in use by the Council and should be written out of the financial statements. The Council has agreed to amend for this.</p> <p>IAS 16 - Property, Plant & Equipment (paragraph 51) requires that the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate. For the remaining balance we recommend that the Council reviews their useful economic lives.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious (Light Purple)</p>

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £833k	<p>The Council is responsible on an annual basis for determining the prudent amount to be charged for the repayment of debt known as its Minimum Revenue Provision (MRP).</p> <p>The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £833k, a net increase of £28k from 2020/21.</p>	<p>Our work on the Minimum Revenue Provision has identified the following issues:</p> <ul style="list-style-type: none"> The Council's published MRP Policy states that for supported debt MRP is calculated using the CFR (Capital Financing Requirement, as defined in the Prudential Code) method. <p>The statutory guidance states this should be 4% of the non-housing CFR for the preceding financial year. However, the Council's policy states that 2% should be used</p> <p>This has resulted in an under-provision for the year of £53k and a total under-provision for the life of the policy of £162k</p> <ul style="list-style-type: none"> For unsupported debt the Council's policy states that MRP should be calculated using the 'Annuity Method', however the council have used the 'Equal Instalments Method'. This has resulted in a trivial difference of £1.5k. 	<p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (Blue)</p>

Assessment

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

2. Financial Statements - other communication requirements

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	Commentary
Matters in relation to fraud	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
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bodies with which the Council hold cash and cash equivalent balances, investments and borrowings. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>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.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<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>The NAO sets a threshold within its group instructions below which detailed procedures are not required. As in previous years, the Council is below the threshold and therefore we are not required to carry out detailed audit work over the WGA return.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Oadby & Wigston Borough Council in the audit report due to the need or us to complete our work on WGA.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with our conclusions.

We have raised improvement recommendations but overall we are satisfied that in 2021/22 the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A significant weakness was reported in 2020/21 which has been addressed.

Criteria	Planning risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	Risk identified for both 2020/21 and 2021/22 because of weaknesses in the Council's financial planning and savings plans.	 Significant weakness in financial planning arrangements identified. We have made one key recommendation covering financial sustainability and governance which was addressed by the Council in 2021/22 (see Appendix B for an explanation of the types of recommendations we can make).	 The Council addressed the significant weakness, but three improvement recommendations made (see Appendix B for an explanation of the types of recommendations we can make).	
Governance	No risks of significant weakness identified.	 Significant weakness in financial planning arrangements identified. We have made one key recommendation covering governance and financial sustainability which was addressed by the Council in 2021/22 (see Appendix B for an explanation of the types of recommendations we can make).	 The Council addressed the significant weakness, but six improvement recommendations made (see Appendix B for an explanation of the types of recommendations we can make).	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	 No significant weaknesses in arrangements identified, but two improvement recommendations made (see appendix B for an explanation of the types of recommendations we can make).	 No significant weaknesses in arrangements identified, but two improvement recommendations made (see Appendix B for an explanation of the types of recommendations we can make).	

-  No significant weaknesses in arrangements identified or improvement recommendation made.
-  No significant weaknesses in arrangements identified, but improvement recommendations made.
-  Significant weaknesses in arrangements identified.

4. 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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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 group. 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.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	6,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	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 £6,000 in comparison to the total estimated fee for the audit of £57,794 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. 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 Benefit Claim	14,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	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 £14,000 in comparison to the total estimated fee for the audit of £57,794 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. 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.

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.

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 D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Action plan – Audit of Financial Statements

We have identified [X] 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 2021/22 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
Medium	<p>From our review of the Council's Minimum Revenue Provision (MRP) we identified 2 issues:</p> <ul style="list-style-type: none"> The Council's published MRP Policy states that for supported debt MRP is calculated using the CFR (Capital Financing Requirement, as defined in the Prudential Code) method. The statutory guidance states this should be 4% of the non-housing CFR for the preceding financial year. However, the Council's policy states that 2% should be used. This has resulted in an under-provision for the year of £53k and a total under-provision for the life of the policy of £162k. For unsupported debt the Council's policy states that MRP should be calculated using the 'Annuity Method', however the Council has used the 'Equal Instalments Method'. This has resulted in a trivial difference of £1.5k 	<p>The Council should review its MRP policy to ensure that it complies with statutory guidance and that going forward MRP is calculated in accordance with the policy</p> <p>Management response</p> <p>Since the application of the 2% applies to historical debt only, the current assessment is that the provision remains prudent. However, to ensure the Council remains in line with statutory guidance, this position, and the related policy for MRP will be reviewed.</p>
Medium	<p>Our review of the Useful Economic Lives Vehicle, Plant & Equipment Assets that a number of assets totalling were fully depreciated. In some cases the assets were no longer in use by the Council.</p>	<p>IAS 16 - Property, Plant & Equipment (paragraph 51) requires that the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate. For the remaining balance we recommend that the Council reviews their useful economic lives to ensure that they remain appropriate.</p> <p>Management response</p> <p>This recommendation will be taken forward with a thorough review of the asset register to purge assets no longer in use and ensure they are written out accordingly.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Oadby & Wigston Borough Council's 2020/21 financial statements, which resulted in 2 recommendations being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Other Land & Buildings Revaluations – Source Data</p> <p>The Council and valuer were unable to provide the original source data used in the revaluation of a sample of other land & buildings assets.</p>	In 2022/23 the council will be revaluing all our assets by ensuring the valuer has been on site and remeasured all of them. In preparation for this, all the floor plans for all the assets on the General Fund have already been provided to the valuer earlier this year.
✓	<p>Accruals – GRNI</p> <p>Testing identified that a number of items on the GRNI list that had been accrued for had already paid and were not outstanding.</p>	Finance have reviewed and cleaned up the report as part of the 2021/22 financial statement closedown procedures.

Assessment

- ✓ Action completed
- X Not yet addressed

C. 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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Transfer of Oadby Pool asset from investment properties to surplus assets.	-	Dr Investment Properties £245 Cr Surplus Asset £(245)	-
Our testing identified that the asset 'Customer Service Centre Fittings' was no longer in use by the Council and needs to be written out of the	Dr Gain / Loss on Disposal £114	Cr Property, Plant & Equipment £(114) Cr Capital Adjustment Account £(114)	£114
Overall impact	£114	£(114)	£114

C. 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	Auditor recommendations	Adjusted?
<p>Note 10 Property, Plant & Equipment</p> <p>Testing identified that fully depreciated assets relating to IT equipment (Gross Book Value £799k) are no longer in use by the Council and need to be written out of the financial statements.</p>	That the Gross Cost and Gross Depreciation included in Vehicles, plant etc are written out of the note.	✓
<p>Note 19 Short Term Creditors</p> <p>Testing identified that the comparatives in the note did not agree to the audited 2020/21 financial statements. Difference of £986k has been amended.</p>	That the comparatives are amended to reflected the audited 2020/21 financial statements	✓
<p>Note 30 Note to The Expenditure and Funding Analysis</p> <p>Testing identified that pension interest adjustment cost of £592k has been incorrectly moved from net costs of services to Financing and Investment Income & Expenses. This has been amended.</p>	That the note is amended to correctly include pension interest adjustment costs in net cost of services	✓
<p>Note 31 Expenditure and Income Analysed By Nature</p> <p>Testing identified that the comparatives in the note for Employee benefit expenses did not agree to the audited 2020/21 financial statements by £83k. This has been amended.</p>	That the comparative is amended to reflected the audited 2020/21 financial statements	✓
<p>Note 33 Audit Fees</p> <p>The Audit Fees for the current year do not agree to our proposed fee reported in the Audit Plan and Appendix D of this report by £1,500. This is trivial but as considered material by nature the Council is amending.</p>	That the audit fee for the current year is updated to reflect our proposed fee	✓
<p>Note 38 Grant Income</p> <p>Testing identified that the grant income total was incorrect. A difference of £975k has been amended.</p>	That the grant income total is amended.	✓
<p>Other Disclosures</p>	We identified a number of minor improvements required to other disclosures, none of which we consider merit reporting separately to Those Charged With Governance	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 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's MRP policy is not in line with statutory guidance. This has resulted in an under-provision for year of £53k and a total under-provision for the life of the policy of £162k.	-	Dr General Fund (via MIRS) £162 Cr CAA £(162)	-	Not material qualitatively or quantitatively and will be revisited in 2022/23.
Overall impact	-	£(162)	-	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

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.	0	Dr Other Land and Buildings £250 Cr CAA / Revaluation Reserve £(250)	0	This issue has been addressed in the 2021/22 financial statements as part of the 2021/22 revaluation exercise that has already taken place.
As part of our testing on creditors we review a number of items that had been accrued for based on the GRNI list. Testing identified that for 3 item (£2,188) that had been accrued had already been paid. We have extrapolated these error across the GRNI population and it is potentially misstated by £96,265.	Cr Net Cost of Services £(96)	Dr Creditors £96.	£(96)	Actual error identified is £2k which is trivial.
Overall impact	(£96)	£96	£96	

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£57,794	£57,794
Total audit fees (excluding VAT)	£57,794	£57,794
Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Housing Benefit subsidy claim (HBAP)	£14,000**	TBC
Certification of Pooling of Housing Capital Receipts return	£6,000**	TBC
Non-Audit Related Services		
None		
Total non-audit fees (excluding VAT)	£20,000	£TBC

** These are proposed fees as the work in respect of these grant claims is either incomplete or has not yet commenced. Therefore we are not in a position to confirm final fees as at the time of writing.



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