



# **Broadland District Council**

## **Auditor's Annual Report Year ended 31 March 2021**

**31 October 2022**



**EY**

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working world

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Broadland District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Broadland District Council those matters we are required to state to them in this 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 Audit Committee and management of Broadland District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

# Executive Summary



# Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 11 October 2022 to the Audit Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have completed the submission to the National Audit Office on the Whole of Government Accounts but have not yet issued our certificate for 2020/21 as we are awaiting confirmation that additional procedures are not required.

## Fees

We carried out our audit of the Council's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Covid-19 related Government Grant Income, Going Concern, the valuation of Property, and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Chief Finance Officer. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.



Mark Hodgson  
**Associate Partner**  
For and on behalf of Ernst & Young LLP



Section 2

## Purpose and responsibilities



# Purpose and responsibilities

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This report summarises our audit work on the 2020/21 financial statements.

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## **Purpose**

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 10 May 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

## Financial Statement Audit





# Financial Statement Audit

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We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

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## Key issues

The Statement of Accounts is an important tool for the Council's to show how it has used public money and how it can demonstrate its financial management and financial health.

On the 27 October 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to Audit Committee on the 27 October 2022. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<b>Misstatements due to fraud or error - management override of controls</b> An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We did not identify any material weakness in controls or evidence of material management override.  We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.  We did not identify any inappropriate journal entries or other adjustments to the financial statements.
<b>Inappropriate capitalisation of revenue expenditure</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the General Fund.	Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.  Our sample testing did not identify any revenue items that were incorrectly classified.  Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Continued over.



## Financial Statement Audit (continued)

Significant Risk	Conclusion
<p><b>Accounting for Covid-19 related grant funding</b></p> <p>In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.</p> <p>Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.</p>	<p>Our work identified one disclosure misstatement in Note 9 which resulted in an overstatement of both the 'Other Service' Expense and the 'Grants and Contributions' lines by £2.163 million resulting from a administration error in the identification of agency grants. The net impact to the income statement is nil.</p> <p>No other issues were noted.</p>
<p><b>Valuation of Property, Plant, and Equipment</b></p> <p>Property, Plant, and Equipment represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>Our work identified two non-material matters, which we reported within our Audit Results Report, which had the cumulative impact of increasing the Property, Plant and Equipment balance by £0.112 million.</p> <p>No other issues were noted.</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Pension Valuations and Disclosures</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. Accounting for this scheme involves significant estimation and judgement. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund's 2020/21 financial statements were understated.</p> <p>On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.675 million. Management adjusted the financial statements for this audit difference.</p> <p>We had no other matters to report.</p>
<p><b>Accounting for Collection Fund disclosures</b></p> <p>In the 2019/20 accounts, the Council identified the need for two prior period adjustments relating to the Collection Fund. They related to historic errors identified by the Section 151 officer.</p> <p>The Council needs to ensure that it has now fully resolved historic errors in the Collection Fund.</p>	<p>Our work in this area identified one non-material reclassification misstatement which management has adjusted for within the revised financial statements.</p> <p>We had no other matters to report.</p>
<p><b>Going concern disclosures</b></p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period</p>	<p>We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern and appropriate disclosure was made within the financial statements.</p>

Continued over.

## Financial Statement Audit (continued)

In addition to the significant risks identified, we also concluded on the following areas of audit focus or inherent risk.

Other area of audit focus	Conclusion
<b>National Non-Domestic Rates Appeals Provision</b> The business rates appeals provision includes, not only claims up to 31 March 2020, but claims that relate to earlier periods and is subject to estimation. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate. Due to the level of estimation, size of the balance and the complexity of this provision we have included it as an area of risk for this year.	We completed our work in this area and have no matters to report.
<b>Recoverability of Debtors</b> There is increased risk that money due to the Council becomes less recoverable due to the Covid-19 pandemic as an increased number of businesses and residents struggle to meet financial obligations. As a result, the Council needs to ensure that it has appropriately considered the impairment of year-end receivables.	<p>We identified that the Council does not have a formal accounting methodology for assessing the need for and extent of an impairment to the Debtors balance at the Balance Sheet date.</p> <p>We have performed our own analysis of the Debtors balance at the 31 March 2021 and judged that the impairment of the Debtor balance (Bad Debt Provision) should be £0.353 million higher than that used by Management, based on the aged debtor position at the Balance Sheet date and approaches used at a comparable Council.</p> <p>Management chose not to adjust the financial statements for this difference on the grounds of materiality.</p>

## Financial Statement Audit (continued)

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
<b>Planning materiality</b>	We determined planning materiality to be £0.946 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
<b>Reporting threshold</b>	We agreed with the Audit Committee that we would report all audit differences in excess of £0.047 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness.
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness.



# Financial Statement Audit (continued)

## Audit differences

Management corrected, within the authorised financial statements, audit differences in relation to:

- ▶ **Property Plant and Equipment** – We identified one asset valued during 2020/21 with a variance in the floor area applied by the valuer when compared to floor area reported by VOA resulting in an overstatement of £130,900. We also identified for one asset comparison to valuation of similar parcels of land resulted in an understatement of £242,500. The correcting entries resulted in an increase to PPE balance of £0.112 million.
- ▶ **Pension Liability** - The Pension Fund auditor identified that Investment Valuations within Norfolk Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £0.675 million. This is a result of a timing difference reported through the audit of Norfolk Pension Fund.

We also identified a small number of misstatements in disclosures which management corrected.

There was one audit difference identified for which management did not adjust the accounts:

- ▶ **Debtors** – The Council does not have a formal accounting methodology for assessing the need for and extent of an impairment of the Debtor balance at the Balance Sheet date. We have performed our own analysis of the debtor balance at the 31 March 2021 and judged that the impairment of the debtors balance (Bad Debt Provision) should be £0.353 million higher based on the aged debtor positions and approaches used at a comparable Council.

As the difference was not material, and does not reflect a factual misstatement within the Statement of Accounts, management chose not to amend for the difference and confirmed this within their letter of representation to us.

A photograph of two business professionals in a cafe setting. A man in a dark suit and tie is seated at a round table, looking down at a document and writing with a pen. A woman, partially visible on the left, is using a laptop. A smartphone lies on the table next to the document. The background shows a blurred cafe interior with arched windows and other patrons.

## Section 4

# Value for Money

# Value for Money (VFM)

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We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

## Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We reported our VFM risk assessment within our Audit Plan Addendum dated the 3 September 2021, which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Chief Finance Officer and his team and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

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We had no matters to report by exception in the audit report.

## Reporting

We completed our planned VFM arrangements work in September 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. We have considered information obtained since this date and noted no changes to our conclusions. As a result, we had no matters to report by exception in the audit report on the financial statements.

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Our VFM commentary highlights relevant issues for the Council and the wider public.

## VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- Financial sustainability  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
  - Governance  
How the Council ensures that it makes informed decisions and properly manages its risks; and
  - Improving economy, efficiency and effectiveness:  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
-

## Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

## Financial sustainability

### ***1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them***

The Council prepares the Strategic Plan alongside the Medium-Term Financial Strategy over a coinciding 4 year period. The Strategic Plan is disaggregated into a Delivery Plan over rolling 2 year periods with an accompanying two year budget. The Council further prepares an annual budget as discussed in the annual budget setting process below. The Council maintains risk registers and may elevate risks to the Strategic Risk Register which is presented for review to the Cabinet and Audit Committee three times a year.

### ***2. How the body plans to bridge its funding gaps and identifies achievable savings***

Funding gaps are identified as part of the annual budgeting process and causes are disclosed within the Budget Book. To bridge these gaps the Council uses financial levers including adjustments to Council Tax Rates, savings programmes and increases to fees and charges for certain service areas and commercial activities. The Council also engages in quarterly performance reviews of Delivery Measures and reviews of the Strategic Risk Register to identify significant risks that could lead to funding gaps and assigns these to the Corporate Management Leadership Team (CMLT) for resolution.

### ***3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities***

The 4 year Business Plan sets out specific objectives together with measures to evidence how successfully the Council is delivering on the plan and which ambitions these activities support. The measures are tracked and reported to Cabinet as part of the Council's Performance Framework.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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### Financial sustainability (continued)

#### ***4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system***

The Council prepares the Strategic Plan alongside the Medium-Term Financial Strategy (MTFS) over a coinciding 4 year period. The Strategic Plan is disaggregated into a Delivery Plan over rolling 2 year periods with an accompanying two year budget. The Delivery Plan includes specific Delivery Measures which are reported into Cabinets on a quarterly basis to allow for performance review and adjustment to the Delivery Plan as needed.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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The MTFS includes both revenue and capital spending over the medium term. It also contains the Council's Commercial Strategy and the Treasury Management Strategy. These are all set simultaneously as part of the annual budgeting process to ensure consistency and sufficiency of funding.

#### ***5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.***

Performance of the Strategic Plan is monitored through the Delivery Measures included in the Delivery Plan which are reported quarterly to the Cabinet for consideration. Strategic Risks that could significantly impact the delivery of the strategy are identified through the Risk Policy and assigned to a member of the Corporate Management Leadership Team for monitoring and mitigation.

## Governance

### **1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud**

The Council has employed a new Risk Management Policy which identifies risks at project, directorate, or strategic level. The level of risk is determined by scoring the likelihood and impact of the risk. Each risk is assigned to a risk owner for monitoring and elevation if the risk level increases. Strategic Risks are reviewed by the Cabinet three times a year as these risks pose a threat to the delivery of the Strategic Plan.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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The Council maintain a Counter Fraud Strategy for the detection and prevention of fraud which assigns responsibility to the Chief Finance Officer and Head of Internal Audit for the monitoring of financial activities and internal controls. Internal Audit prepares an Annual Strategy for the review of financial processes at the Council and reports on the conclusions of these reviews to the Audit Committee.

### **2. How the body approaches and carries out its annual budget setting process**

The Cabinet will issue initial proposals for the budget considering the Strategic Plan which will be referred to the Overview and Scrutiny Committee for consideration.

The Committee has six weeks to respond to the initial proposals and perform consultations with necessary stakeholders. Consultations occur with budget managers in areas for which they are responsible. This includes identifying efficiencies, service transformation suggestions and income generation. Consultations also occur with the public on the proposed approach to meeting the savings target and on the potential for any Council Tax increases.

The Committee will report back to the Cabinet which may then adopt its recommendations or rebut them and report this to the Council. The Council will then review the budget and propose any further alterations before ultimate approval.

## Governance (Continued)

**3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.**

The Cabinet makes recommendations to the Council on the budget and policy framework. It is also responsible for overseeing the Council's overall financial performance.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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Budgets are delegated to named officers who are responsible for controlling their budgets and reporting to the Cabinet on any significant variations from the budget. Significant risks that could impact budgets are identified through the Risk Management Policy and raised as Strategic Risks to the Cabinet for review three times a year. The Chief Finance Officer is assigned the responsibility of setting and monitoring compliance with financial management standards including the securing of key financial controls.

**4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.**

Full Council is the key decision-making body of the Council. The Council operates an Executive form of governance, which means that Full Council appoints an Executive Leader who then appoints other councillors to form the Cabinet.

The Cabinet is responsible for most day-to-day decisions and carries out all of the Council's Executive functions.

All reports to the Cabinet proposing actions relating to budget or policy must contain details of the nature and extent of consultation with stakeholders and the overview and scrutiny committee and the outcome of that consultation to allow for fully informed decision making. Non-cabinet members and the public are also permitted to speak at meetings on any matter of the agenda and this is evidenced by published papers.

The Audit Committee and Overview and Scrutiny Committee is comprised of appropriately skilled and experienced members and have clear terms of reference which emphasise the Committees' role in providing effective challenge.

### Governance (continued)

***5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).***

Responsibilities for statutory obligations are formally established. The Head of Paid Service disseminates statutory instruments to Managers responsible for acting on them. The relevant professional officers are tasked with ensuring compliance with appropriate policies and procedures to ensure all officers work within them.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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Decisions to be taken by Councillors are subject to a rigorous scrutiny process by the Monitoring Officer, Chief Finance Officer and in most cases Corporate Management Leadership Team before they are considered by Cabinet or Full Council.

Assistant Directors have completed an Assurance Statement covering key governance aspects with their area of responsibility. The outcomes of these Assurance Statements are described under Managers' Assurance within the Governance Issues section of the Annual Governance Statement.

The Council also operates Codes of Conduct for Councillors and Officers, with clear process embedded to respond to any concerns raised regarding the standards of behaviour including a whistleblowing policy.



### **Improving economy, efficiency and effectiveness**

#### ***1. How financial and performance information has been used to assess performance to identify areas for improvement.***

The Council identifies Delivery Measures in its Delivery Plan to assess the performance in achievement of the stated strategic initiatives. These measures are reported on a quarterly basis to the Overview and Scrutiny Committee.

The reports are reviewed and discussed at the relevant meetings, including challenge by Members. Depending on the performance areas, Cabinet will have oversight of the actions that are identified and taken to address any identified areas for improvements.

#### ***2. How the body evaluates the services it provides to assess performance and identify areas for improvement***

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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The Council identifies Delivery Measures in its Delivery Plan to assess the performance in achievement of the stated strategic initiatives. These measures are reported on a quarterly basis to the Overview and Scrutiny Committee. The Cabinet updates its Delivery Plan and Budget every two years to refocus the delivery of services. In the current year the Council has deemed it appropriate to prepare a one year plan due to the uncertainties surrounding COVID-19.

#### ***3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve***

Partnership arrangements take the form of Service Level Agreements. These are reviewed as part of the budget setting process and in advance of the date of cessation. The Council maintains a formal protocol on how it enters into funding arrangements with voluntary and third sector organisations. The main partnership is the joint working approach with South Norfolk District Council.

#### ***4. How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.***

The Council maintains Procurement Guidance and Procurement Strategy documents that indicate the methods of selecting supplies and the levels of authorization required. To ensure transparency the Council publishes a contract register and a register of Council spending over prescribed threshold.

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## Recommendations

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### **Recommendations**

As a result of the VFM procedures we have not made any recommendations.

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The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

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### **Forward look**

Looking forward to 2021/22 and beyond, the Council continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.

A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is in the foreground, looking intently at a document on the table. Other people's hands and arms are visible, some resting on the table. The scene is brightly lit, suggesting an indoor office environment with large windows in the background.

Section 5

## Other Reporting Issues

## Other Reporting Issues

### **Annual Governance Statement**

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance. We completed this work and had no matters to report.

### **Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have completed the assurance statement submission. We are awaiting clarity from the NAO on the extent of any further required procedures.

### **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### **Other powers and duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.



## Other Reporting Issues

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit identified two areas for attention of the Audit Committee:

#### 1. Methodology for assessing the recoverability of receivables

As reported earlier in this report, we have identified one significant deficiency in the design or operation of an internal control that might result in a material misstatement in your financial statements. The Council does not have a formal accounting methodology for assessing the need for and extent of an impairment of the Receivable (debtor) balance at the Balance Sheet date.

**Recommendation:** The Council should develop and formalise an approach to consider the recoverability of receivables at each Balance Sheet date and review the need and extent of any impairment to the balance (Bad Debt Provision).

#### 2. Member Related Party declarations

We also note a control weakness with respect to the returning of declarations of interests by Members. Our testing identified that the returns for two councillors were not received by the Council. This represents a risk of misstatement within the related party disclosure, as the Council does not have complete information from its Members with which to prepare the disclosure.

**Recommendation:** All Members need to complete and submit their declarations about related parties in a timely manner, including nil returns.

Appendix A

## Audit Fees



## Audit Fees

Our fee for 2020/21 is in line with the audit fee reported in our Annual Results Report presented to the Audit Committee on 27 October 2022, updated to reflect the conclusion of the audit.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	32,022	32,022	32,022
Fee Variation	71,169 (Note 2)		18,399 (Note 1)
<b>Revised Scale Fee</b>	<b>TBC</b>		<b>50,241</b>

**Note 1** – PSAA Ltd determined the Fee Variation on 22 October 2021.

**Note 2** – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards, as we set out in our Audit Results Report. In addition, for 2020/21, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to the enhanced considerations and procedures required in respect of estimates under ISA540, as well as new risks outlined within our Audit Plan and Audit Results Report. The additional fee for 2020/21 has been notified to management and is now subject to determination by PSAA Ltd.

We will report the respective final fees formally, once they have been determined by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

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