



# Auditor's Annual Report

**North West Leicestershire District Council – year ended 31 March 2022 and 31 March 2023**

December 2024

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# 01

Introduction

# Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North West Leicestershire District Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit reports in December 2024. Our opinion on the financial statements for the year ended 2022 and 2023 were disclaimed. In line with the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.



### Wider reporting responsibilities

There are no matters outstanding in relation to reporting on the Whole of Government Accounts to the group auditor (the National Audit Office) for 2021/22 or 2022/23



### Value for Money arrangements

In our audit reports, we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued recommendation(s) in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 provides our commentary on the Council's arrangements and a summary of our recommendations.

02

Audit of the financial statements

# Audit of the financial statements 2021/22

## The scope of our audit and the results of our opinions

The scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ('the 2014 Act') and our audit has been conducted in accordance with International Standards on Auditing (UK) ('auditing standards').

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2022, by 13 December 2024 ('the backstop date').

In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

In our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we issued a disclaimer of opinion on the Council's financial statements. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements.

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Accounting treatment of an investment property disposal where there were contingencies built into the contract around the fee the Council would receive for the asset;
- Completeness of the Council's asset register with several assets being added to the register in year despite being owned for a significant period of time;
- The unavailability of expected information examples include a reconciliation between the valuation report to the financial statements, and payroll reconciliations.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error.

## Significant difficulties during the audit

The Council's finance team experienced various staffing challenges during the accounts production and audit timeframe. As a result, our audit has identified that the standard of the working papers provided to support the figures within the financial statements fell below our expectations. Examples include missing information, and incorrect interpretation and application of guidance. It also led to extensive unexpected effort required to obtain sufficient appropriate audit evidence.

# Audit of the financial statements 2022/23

## The scope of our audit and the results of our opinions

The scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards").

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2023, by 13 December 2024 ('the backstop date').

In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

The Council presented the 2022/23 financial statements to Audit & Governance Committee on 30 October 2024. The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

In our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we issued a disclaimer of opinion on the Council's financial statements. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements.

# 03

Our work on Value for Money  
arrangements



VFM arrangements

Overall Summary



# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



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



**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.



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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

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

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page [X].

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	13-17	No	No	Yes – see commentary on page 14
 <b>Governance</b>	19-22	Yes – see risk on page 19	Yes – see recommendation 1 on page 26	Yes – see commentary on page 20
 <b>Improving economy, efficiency and effectiveness</b>	24	No	No	No

# VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

Significant weaknesses in 2020/21	Nil
Significant weaknesses identified in 2021/22	Nil
Significant weaknesses identified in 2022/23	Nil

### Position brought forward from 2020/21

We reported in our Annual Auditor's Report for 2020/21, that we had:

- Reviewed the 2020/21 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements;
- Reviewed the 2021/22 General Fund and Housing Revenue Account budget;
- Reviewed the Council's Annual Governance Statement for any significant issues; and
- Considered the general finds from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forwards from 2020/21. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2021/22 and 2022/23.

### Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the 2021/22 and 2022/23 Annual Governance Statement, and Statement of Accounts for 2021/22 and 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

### Budget Setting and the Medium-Term Financial Plan

We considered the 2021/22 and 2022/23 budget setting process, including the Medium-Term Financial Plan

(MTFP) as part of our work on the review of arrangements, with no significant concerns arising. The MTFP sets out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities. The MTFP integrates revenue allocations, savings targets and capital investment, provides the budget for the next financial year and provides indicative budgets, future council tax and housing rent levels for the period covered by the strategy. We read the report to the February 2021 and 2022 full council meetings for the respective years MTFP as evidence of adequate arrangements in place for budget setting.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability - continued

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

For the 2022/23 General Fund budget, the Council set a balanced budget which relied on a savings target aimed at delivering efficiency savings and cuts against services totalling £895k. This budget was revised part way through the year to account for the Local Government Finance Settlement. The revised budget projected a surplus of £1.2m which would be transferred to reserves and still assumed the same level of J2SS savings.

We reviewed the outturn position reported in June 2023 to Cabinet, which confirmed the General Fund achieved a surplus of £0.91m compared to a budgeted surplus of £1.2m. This represents a reduction in the budgeted contribution to reserves of £0.29m. This was largely impacted by unachieved Journey to Self Sufficiency (J2SS) savings of £0.9m. Although not achieved, this does not represent a risk of significant weakness in the Council's arrangements for the overall outturn for 2022/23. The Housing Revenue Account (HRA) achieved a surplus of £0.8m after appropriations which compares to a budgeted surplus of £0.06m.

The Council's financial outturn does not present a risk of significant weakness in arrangements.

We have noted there are challenges that the Council will face going forwards. The Medium-Term Financial Plan (MTFP) covering years 2023/24 – 2027/28 highlights the challenges as the Council has a balanced budget up until 2023/24 but then there are annual rising deficits thereafter on a 'do nothing' basis, not even use of reserves, leading to a gap of £10m through to 2027/28, but with commitment to bridge the gap through refreshed corporate plan. We have reviewed the 2024/2025 – 2028/29 MTFP which has since been published and this demonstrates the gap can be closed as a result of actions, with balanced budget for 24/25 and £385k gap in 25/26 and £604k gap in 25/26 – again before any use of reserves.

It has been noted that as part of the budget setting report that "A robust corporate and financial plan is required to bridge the funding gap and ensure the Council can balance its budget for 2024/25 and over the medium term." No detailed plan is within the report nor in the 24/25 MTFP which explains a "transformational plan" is developed but doesn't provide details.

### Other recommendation

We have determined an "other recommendation" is required to improve the clarity in arrangements to address future financial gaps, because the Council does not currently report consistently on how achievable savings proposals are within their MTFP or whether the identified savings have been attained. We recommend that the Council set out specific details of savings that are proposed as aligned to the MTFP (with greater detail on those in the forthcoming year), which are rating based how achievable they are judged to be and what risk are involved, as well as who is responsible for oversight and implementation. We would expect to see a report produced at year end detailing which savings had been achieved, whether they are recurrent or one off and for those savings not achieved whether they will roll into future years savings proposals. This will enable to Council to give members better oversight over arrangements for financial sustainability.

### 2021/22 and 2022/23 Statement of Financial Position

We are issuing a disclaimed opinion on the 2021/22 and 2022/23 financial statements, however, our review of the draft financial statements of 2021/22 and the draft financial statements for 2022/23 does not highlight a risk of significant weakness in arrangements for financial sustainability.

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability:

£'000	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23
General Fund Balance	14,233	16,742	21,456	18,216	19,034
HRA	14,423	16,793	19,406	7,351	7,216
Capital Receipts Reserves	7,452	9,496	8,170	10,465	12,425
Other Usable Reserves	2,336	2,163	3,026	4,404	6,171
<b>Total usable reserves</b>	<b>38,444</b>	<b>45,194</b>	<b>52,058</b>	<b>40,436</b>	<b>44,847</b>

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria – continued

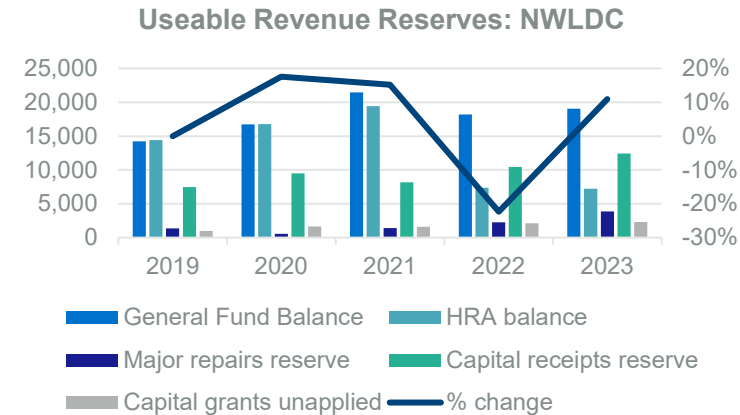
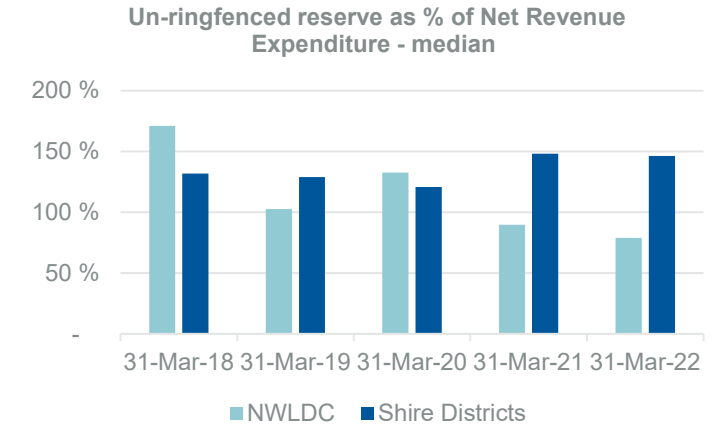
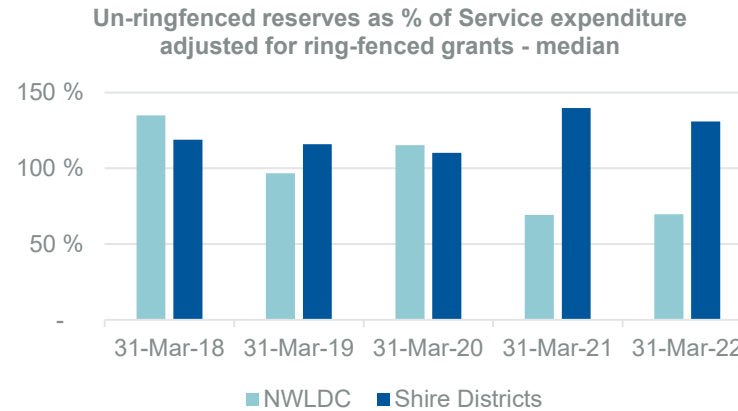
### Financial sustainability and revenue reserves

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

We have also performed a more detailed review of the Council's revenue reserves:

1. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been below the median compared to other district Council since 2018 (top two charts right).
2. Through a review of the financial statements, we have considered the Council's useable revenue reserves over time.

The Council's Reserves position does not give us cause for immediate concern in relation to a risk of significant weakness in arrangements to secure financial sustainability for the year ended 31 March 2022 or 2023. Whilst reserves remain stable, they are finite.



Details on the definitions and data quality arrangements are available here: <https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22>

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria – continued

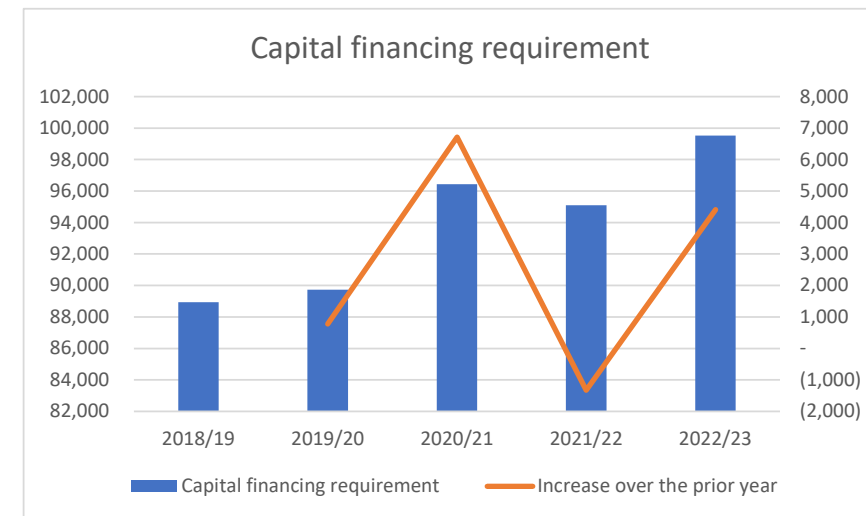
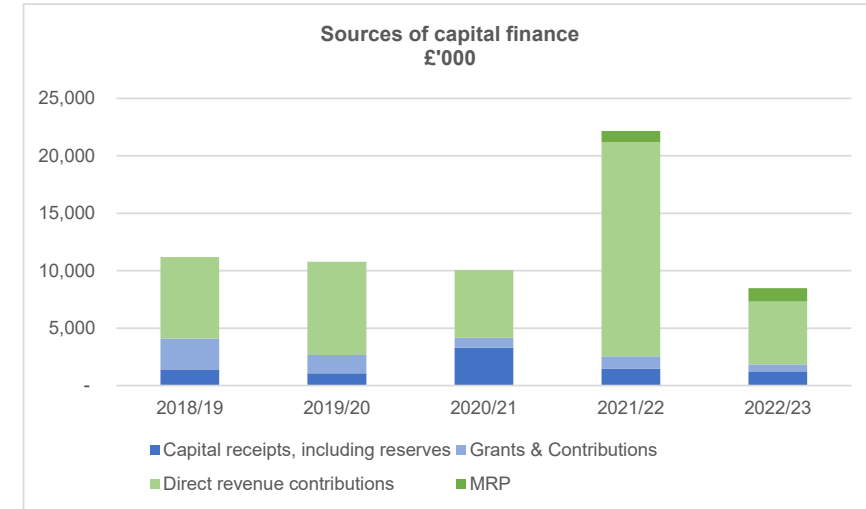
### Capital financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate.

We considered the Council's capital financing requirement as set out in Note 26 of the financial statements, which has increased from £88.9m in 2018/19 to £99.5m in 2022/23, each increase representing an increasing need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past five years capital spend has been mainly financed through capital receipts and reserves with more reliance on grants in the current year, for example in 2022/23:

- £1.2m from capital receipts
- £593k in grants and contributions
- £5.5m in direct revenue contributions; and
- £1.2mm through the Minimum Revenue Provision (a minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities).

In 2022/23, the Council spent £12.2m on capital additions per Note 8 of the financial. We are satisfied the council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements.

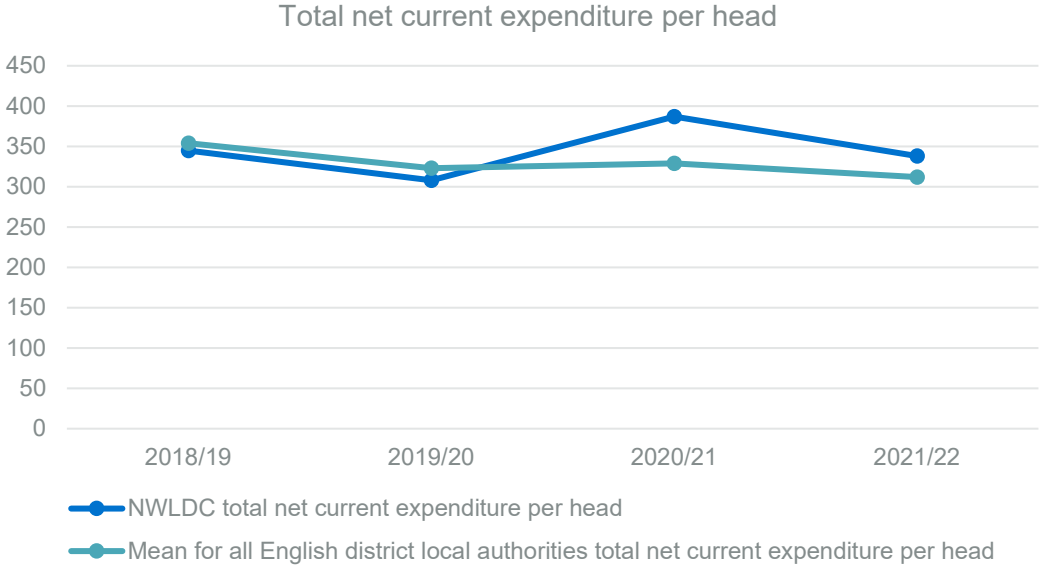




# VFM arrangements – Financial Sustainability

## The Council's spending benchmarks

We also used VFM spending profiles produced by LG Inform ([vfm.lginform.local.gov.uk](http://vfm.lginform.local.gov.uk)) to provide context on the Council's spending, which show the Council (blue line) is above average in its spending from 2020/21 onwards when compared to all district councils (green line). Whilst it represents opportunities for cost reduction, it does not present a risk of significant weakness in arrangements for 2021/22 or 2022/23.



# VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Position brought forward from 2020/21

There are no indications of a significant weakness in the Council's arrangements for governance brought forward from the previous year.

## Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risk of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to the risk.

Risk of significant weakness in arrangements	Planned procedures
<p><b>Governance: statutory financial reporting</b>  <i>Originating on the 2021/22 financial statements and continuing into 2022/23</i></p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations effective from 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 for all local authorities from 31 July to 30 September 2021 for all local authority bodies. The completion of audited 2020/21 financial statements represents a delay of some 18 months.</p> <p><b>1</b> We believe this delay presents a risk of significant weakness in the Council's arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks) including how the body supports its statutory financial reporting requirements.*</p> <p>* Criteria as defined by Auditor Guidance Note 3 (AGN03), Auditors' Work on Value for Money (VFM) Arrangements (December 2021)</p>	<p><b>Work undertaken:</b>            To address the risk identified, we have reviewed the issues identified and considered whether they are indicative of a significant weakness in the Council's governance arrangements.</p> <p><b>Results of our work</b>            We have determined that there is a significant weaknesses in arrangements relating to statutory financial reporting which is detailed below:</p> <p>We have been unable to complete the majority of our work on the 2021/22 and then 2022/23 statement of accounts audit which has mainly been due to weaknesses in arrangements for:</p> <ul style="list-style-type: none"> <li>• the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; and</li> <li>• capacity challenges in the finance team exacerbated by a shortage of skilled and capable resources in the labour market.</li> </ul> <p>Of the work performed on 2021/22 material errors were identified been corrected, although none affect general fund balances. The Council made a conscious decision that constrained resources were diverted into budget setting and financial ledger implementation rather than financial reporting. Further, as the identified accounting issues lie in asset valuations, we do not believe there is a threat to financial sustainability or unreliable budget setting/financial planning as a result of the delays.</p>

# VFM arrangements – Governance

## Overall commentary on Governance

### The Authority's governance structure

*Arrangements have been consistently in place during 2021/22 and 2022/23*

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

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

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council.

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

### Risk management and internal control

*Arrangements have been consistently in place during 2021/22 and 2022/23*

The Council has an established risk management strategy and systems in place which are built into the governance structure of the organisation.

The Audit and Governance Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. We have attended meetings of the Committee and reviewed minutes and reports presented during the year, including

matters relating to risk. From our attendance at meetings and review of the minutes, we are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

### Audit and Governance Committee

*Arrangements have been consistently in place during 2021/22 and 2022/23*

The Council has an established Audit and Governance Committee that incorporates the functions of an Audit Committee. We have confirmed the Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control.

We have reviewed supporting documents and confirmed the Audit and Governance Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit and Governance Committee has confirmed there is an appropriate level of effective challenge.

# VFM arrangements – Governance

## Overall commentary on Governance

### Internal Audit

*Arrangements have been consistently in place during 2021/22 and 2022/23*

To provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has an in house Internal Audit function. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Governance and Standards Committee prior to final approval. The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues.

Internal Audit progress reports are regularly presented to the Audit and Governance Committee meetings including follow up reporting on recommendations from previous Internal Audit reports. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment.

### 2021/22

The Head of Internal Audit's opinion for 2021/22 is as follows "For the 12 months ended 31 March 2022, I am able to give reasonable assurance on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the areas audited. This is a positive assurance opinion overall." There is no indication of inadequate arrangements in place.

### 2022/23

The Head of Internal Audit's opinion for 2022/23 is as follows: "For the 12 months ended 31 March 2023, I am only able to give limited assurance on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that significant gaps, weaknesses, or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage

risks to the achievement of objectives in the area audited. As this is not a positive assurance overall it is expected that a corporate management action plan will be put in place to respond to this annual opinion." The limited assurance continued into 31 March 2024 year end.

In the Head of Internal Audit's report were 13 high and medium risk recommendations from work performed in 2021/22 that had the deadline to implement extended. The audit areas included project and estates management and actions had original due dates ranging from October 2022 – March 2023. Whilst we do not believe this to be a risk of significant weakness in arrangements, because the original deadlines were agreed through to March 2023, this is something that should be monitored going into the 2023/24 year. We have determined an "other recommendation" is required to improve the timeliness of responding to internal audit recommendations and overview of the process in place.

### Other recommendation

We recommend that the Council ensure that there is more frequent reporting of recommendation tracking, including considering the role of the Audit & Governance Committee in being satisfied that actions can be deferred

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

### Quality of financial reporting

We have experienced issues auditing the financial statements for the 2021/22 year due in part to the lack of capacity in the finance team. There was a delay in receipt of the accounts due to issues in the 2020/21 statement of accounts and the implantation of a new financial system.

During our audit we communicated the following significant matters to management:

- Accounting treatment of an investment property disposal where there were contingencies built into the contract around the fee the Council would receive for the asset;
- Completeness of the Council's asset register with several assets being added to the register in year despite being owned for a significant period of time;
- The unavailability of expected information examples include a reconciliation between the valuation report to the financial statements, and payroll reconciliations.

The issues identified in financial reporting processes, could reasonably be expected to lead to a significant impact on the quality or effectiveness of service or on the Council's reputation. We are of the view that this represents a weakness in arrangements.

The 2022/23 accounts were not received until the 31<sup>st</sup> October 2024 hence the significant weakness will continue across this financial year.

### Budget Setting and the Medium-Term Financial Plan

*Arrangements have been consistently in place during 2021/22 and 2022/23*

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. The arrangements in place for budget setting and updating the Medium-Term Financial Plan are as expected for a district Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to business plans and sources of funding.

We read the assumptions underpinning both the 2022/23-2026/27 and 2023/24-2027/28 Medium-Term Financial Plans as included in reports to the Cabinet. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council.

In addition, there is sufficient narrative to explain the rationale and key financial risks.

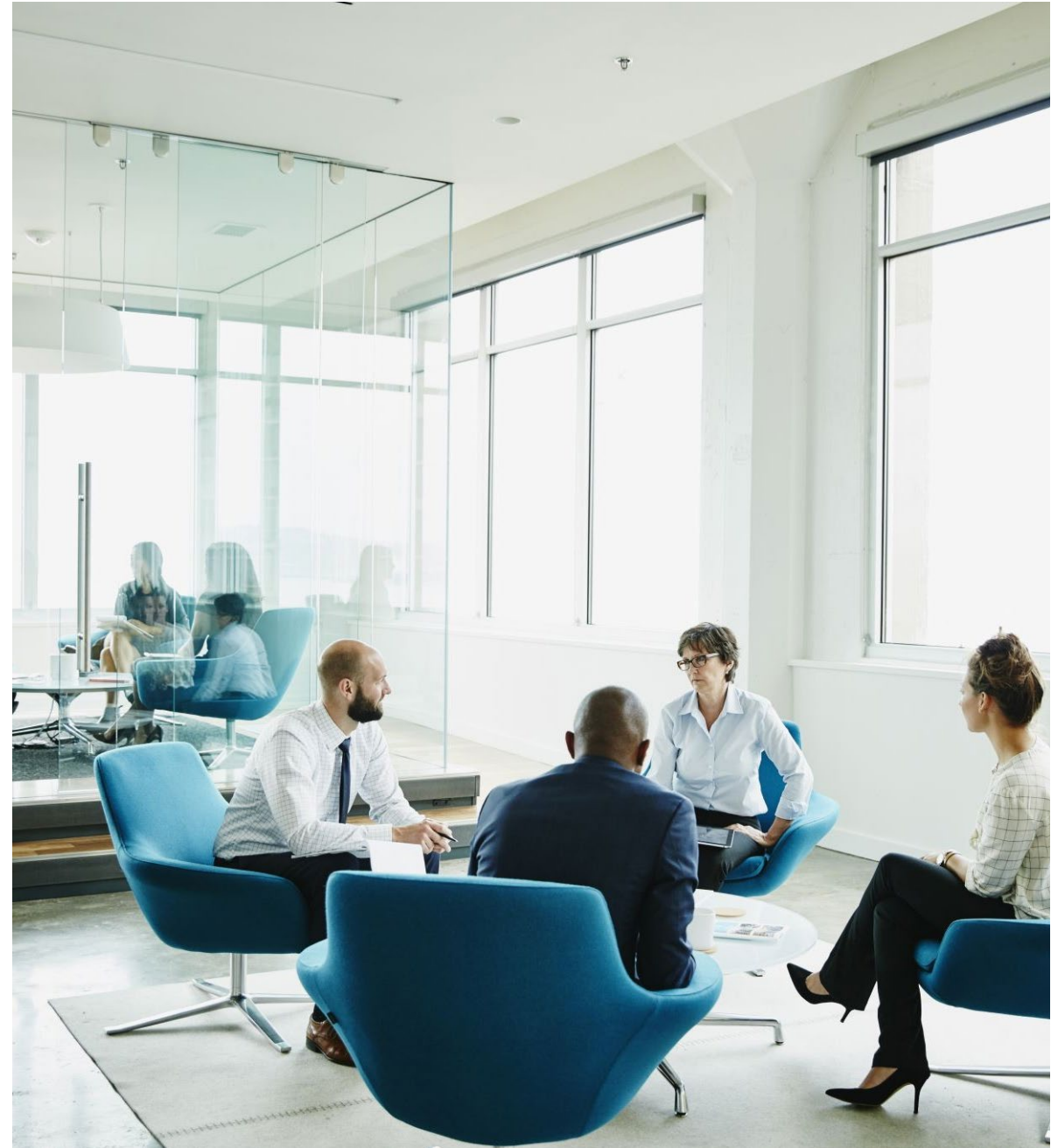
### Regulators

There are few external regulators for district councils, and we have not identified any matters reported which indicate significant weaknesses in the Council's governance arrangements. We reviewed the Local Government and Social Care Ombudsman's (LGSCO) 2022/23 report which was considered by the Audit and Governance Committee at its September 2023 meeting. The Committee report includes a summary of the outcomes and summarised management's assessment of the matters raised by LGSCO. The report does not highlight any significant concerns in relation to the Council's governance arrangements

# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

Significant weaknesses in 2020/21	Nil
Significant weaknesses identified in 2021/22	Nil
Significant weaknesses identified in 2022/23	Nil

### Position brought forwards from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year.

### Performance Monitoring

*Arrangements have been consistently in place during 2021/22 and 2022/23*

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Strategy setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Plan which is reviewed and updated annually.

Our review of minutes and reports confirms Members receive regular reporting on performance measures. We reviewed the performance outturn for 2023/24 as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements to assess performance and identify areas for action.

As part of the Council's Performance Management and Continuous Improvement Framework all service areas are required to develop an annual Service Plan which sets out the key activities to be delivered and the measures (performance Indicators) used to monitor the impact of those activities. We reviewed the Overview and Scrutiny Committee (Corporate Resources) performance report from June 2024, which included the Service Plan Performance Indicators for all service areas including:

- People and Transformation
- Neighbourhood Services
- Finance
- Law and Governance

- Planning and Regeneration
- Housing
- Health and Communities.

### Procurement

*Arrangements have been consistently in place during 2021/22 and 2022/23*

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

Our work on the financial statements has not identified any significant internal control deficiencies.

### Partnerships

*Arrangements have been consistently in place during 2021/22 and 2022/23*

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



# VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



# VFM arrangements - Identified significant weaknesses and our recommendations

## Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p><b>1 Statutory financial reporting</b> We have been unable to complete the majority of our work on the 2021/22 and then 2022/23 statement of accounts audit which has mainly been due to weaknesses in arrangements for:</p> <ul style="list-style-type: none"> <li>• the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; and</li> <li>• capacity challenges in the finance team exacerbated by a shortage of skilled and capable resources in the labour market.”</li> </ul> <p>Of the work performed on 2021/22 material errors were identified been corrected, although none affect general fund balances. The Council made a conscious decision that constrained resources were diverted into budget setting and financial ledger implementation rather than financial reporting. Further, as the identified accounting issues lie in asset valuations, we do not believe there is a threat to financial sustainability or unreliable budget setting/financial planning as a result of the delays.</p>		●		<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• Management have a review process in place to support the preparation of draft financial statements to ensure sufficient quality review procedures are in place to support accurate statutory financial reporting;</li> <li>• Sufficient capacity is made available within the Finance team to support the rebuilding assurance process.</li> </ul>	<p>This recommendation was issued in November-December 2024 and therefore the Council has had a limited time to address the recommendations.</p>

Other reporting responsibilities

# Other reporting responsibilities

## Other reporting responsibilities

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We intend to submit this information to the NAO in December 2024.

# Audit fees

## Fees for audit and other services

Our fees (exclusive of VAT) for the audit of North West Leicestershire District Council for the year ended 31 March 2022 and 2023 are outlined below.

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

For 2021/2 and 2022/23 PSAA have not prescribed the fees payable for undertaking procedures to issue a disclaimed audit report. The table below sets out our estimate of fee for 2021/22 and 2022/23.

Area of work	2021/22 Planned Fee	2021/22 Actual Fee	2022/23 Planned fee	2022/23 Actual Fee	2023/24
Scale fee in respect of our work under the Code of Audit Practice	38,902	38,902	50,218	50,218 Actual procedures performed: 19,500	148,948
Additional fees in respect additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	8,766	8,766	Included in scale fee	Included in scale fee	Included in scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	3,587	3,587	3,587	Work not performed	Included in scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	N/A	N/A	5,000	Work not performed	
Other additional testing – additional costs as a result of quality preparation issues and reporting	-	7,500	-	-	
Material adjustments	-	4,997	N/A	N/A	
Other additional costs: <ul style="list-style-type: none"><li>• IAS19 Pension Triennial Review</li><li>• Modified Audit Report</li></ul>	-	3,952 7,000	-	- 7,000	
Additional fees in respect of the VFM Commentary	8,500	8,500	8,500	6,000	Included in scale fee
Additional fees in relation to VFM risks of significant weakness in arrangements	-	660	660	660	
<b>Total fee variations</b>	<b>20,853</b>	<b>44,962</b>	<b>18,747</b>	<b>TBC</b>	
<b>Total fees</b>	<b>59,755</b>	<b>83,864</b>	<b>68,965</b>	<b>TBC</b>	<b>148,948</b>
<b>MHCLG Grant for NWLDC to cover fees</b>	<b>(20,054)</b>	<b>(20,054)</b>	<b>(20,924)</b>	<b>(20,924)</b>	

# Appendices

Appendix A: Further information on our audit of the Council's financial statements

# Appendix A: Further information on our audit of the Council's financial statements

## Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings, with detailed reports taken to the Audit & Governance Committee on 9 December and available on the Council's website.

2021/22

Risk	Our audit response and findings
<b>Significant Risk 1 Management override of control</b>	Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR.
<b>Significant Risk 2 Defined benefit liability valuation</b>	Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR.
<b>Significant Risk 3 Valuation of land and buildings, investment properties and council dwellings</b>	Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR.

2022/23

Risk	Our audit response and findings
<b>Significant Risk 1 Management override of control</b>	Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR.
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<b>Significant Risk 3 Valuation of land and buildings, investment properties and council dwellings</b>	Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in our ACR.

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