



North Tyneside Council

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

7 March 2022



EY

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This report is made solely to the Audit Committee and management of North Tyneside Council in accordance with our engagement contract dated 2 October 2017. Our work has been undertaken so that we might state to the Audit Committee and management of North Tyneside 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 North Tyneside 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

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	<p>Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements were prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.</p> <p>We issued our auditor's report on 10 February 2022.</p>
Going concern	We concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements was appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.
Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	<p>We had no matters to report by exception on the Council's VFM arrangements.</p> <p>We have included our VFM commentary in Section 4.</p>
Consistency of the Annual Governance Statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

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 communicating significant findings resulting from our audit.	We presented a draft Audit Results Report, dated 14 September 2021 to the Audit Committee and issued an updated version upon conclusion of the audit.
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 not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.

Fees

Our final fees were reported in our Audit Results Report, dated 14 September 2021. We agreed uplifts to the base audit fee to take account of:

- new auditing standards for estimates and going concern; and
- the new requirements of the National Audit Office Code of Practice.

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

Stephen Reid
Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

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

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 presented to the Audit Committee on 26 May 2021. We have complied with the National Audit Office's (NAO's) 2020 Code of Audit Practice, International Standards on Auditing (UK) and other guidance issued by the NAO.

As auditor 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 Statement of Accounts 2021.

Reporting by exception:

- if the Annual 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 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, Statement of Accounts 2021 and Annual 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

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

Key issues

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

On 10 February 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 14 September 2021 Audit Committee meeting and issued an updated report on conclusion of our audit. 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

Misstatements due to fraud or error - management override of controls

As identified in ISA (UK) 240, management is in a unique position to perpetrate 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 identify and respond to this fraud risk on every audit engagement.

We did not identify any instances of management override of controls during the course of our audit work.

We did, however, identify one transaction where management had incorrectly accounted for the release of a provision from 2019/20. This was included as an unadjusted misstatement in our Audit Results Report. As part of our audit procedures, we also identified that a retrospective review of journals greater than £500,000 is performed; however we recommended that journals of this magnitude should be reviewed before being posted to the general ledger

Risk of fraud in revenue and expenditure recognition

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.

Our judgement is that the significant risk at the Council relates to the recognition of grants with terms and conditions attached, the potential improper capitalisation of revenue expenditure and the omission of expenditure from the financial statements.

We identified one material error during the course of our work, which was adjusted for by management in the final version of the financial statements.

Income and expenditure in the financial statements were overstated by £22.8 million as a result of Covid-19 funding received from central government on an agency basis being incorrectly included in the Comprehensive Income and Expenditure Statement.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Valuation of land and buildings held at open market value</p> <p>The value of land and buildings represents a significant balance in the Council's financial statements. Management is required to make material judgements in respect of key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Our assessment is that there is a greater likelihood of uncertainty in valuations of assets held at open market value and therefore we attach our significant risk to these assets.</p>	<p>Overall we were satisfied that the valuation of these assets was within an acceptable range.</p>
<p>In addition to the significant risks above, we also concluded on the following areas of audit focus.</p>	
Other area of audit focus	Conclusion
<p>Valuation of land and buildings held at Depreciated Replacement Cost</p> <p>The value of land and buildings held at Depreciated Replacement Cost represents a significant balance in the Council's financial statements and is subject to valuation changes, impairment reviews and depreciation charges.</p>	<p>Overall we were satisfied that the valuation of these assets was within an acceptable range.</p>
<p>Pension liability valuation</p> <p>The Council's pension fund deficit is a material estimated balance and there is a requirement that this liability is disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued by the Council's actuary, AON Hewitt. Accounting for this scheme involves significant estimation and judgement, and therefore management engages an actuary to undertake the calculations on their behalf.</p>	<p>Following a review of investment performance of assets held by the Tyne and Wear Pension Fund, management engaged their actuary, to revisit the calculation of the LGPS Pension Liability. This resulted in a reduction of £37.5 million which was adjusted in the financial statements.</p> <p>We also noted that the auditor of the Tyne and Wear Pension Fund identified that assets in the Pension Fund financial statements had been overstated by £30.7 million. The Council Group share of this error was in the region of £2.9 million.</p>

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Going Concern Compliance with ISA 570</p> <p>This auditing standard was revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly thereafter.</p> <p>The revised standard increases the work we are required to perform when assessing whether the Council is a going concern.</p>	<p>We concluded that management's use of the going concern basis of accounting was appropriate and recommended some updates to the disclosures in the financial statements.</p>

Financial Statement Audit (continued)

Audit differences

In addition to the audit adjustments discussed on the previous slides, management also made the following agreed amendments to the financial statements:

- As part of our work on cash and cash equivalents we identified a number of short term deposits that did not meet the definition of a cash and cash equivalent in the CIPFA Code. The total value of these deposits was £17.5 million and management reclassified this balance to short term investments in the final draft of the financial statements.
- An adjustment of £41.2 million was made to the financial asset disclosures within the financial instrument note, as management had incorrectly omitted cash and cash equivalents and short term deposits from the analysis.
- We identified multiple errors in the exit packages and senior officer banding disclosures which were amended for in the final version of the financial statements. These issues were also present in the 2019/20 disclosure and, as these disclosures are material by nature, we requested that management amend the prior year comparatives.
- A number of other, more minor adjustments, were also made to the disclosures in the initial draft of the financial statements received for audit.

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
Planning materiality	We determined planning materiality for the Group to be £12.9 million as 2% of gross revenue expenditure reported in the financial statements. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £0.64 million.

We also set a materiality of nil for remuneration disclosures, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence decisions of users of the financial statements in relation to these.

Section 4

Value for Money



Value for Money (VFM)

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 presented our VFM risk assessment to the 26 May 2021 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council / and committee reports, meetings with management 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.

Reporting

We completed our planned VFM arrangements work by 30 September 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

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.
- **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.

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

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

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 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

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 has 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.

As is the case for all local government organisations, the Council is under pressure to deliver balanced budgets over the medium term and maintain levels of service. With the austerity measures and financial pressures unlikely to ease in the years ahead, the Council produced a three-year budget in 2019 which projected forward to 2022.

The impact of the Covid-19 pandemic, and resulting Government response, has heightened the need for up to date and timely forecasting. The Council has received new grant income funding streams to offset some of the burden of the pandemic in 2020/21, whilst reviewing the planned savings in year. The monthly evolution of the Budget and Financial Planning report demonstrates the focus of the Council on new financial challenges arising from the unforeseen Covid-19 pandemic that began in March 2020.

Through proactive management of the General Fund the Council was able to successfully manage its finances in 2021, and despite on-going funding reductions, continued cost pressures in respect of social care services and the significant impact of the Covid-19, the Council achieved a year end surplus of £2.5 million.

Financial sustainability (continued)

How the body plans to bridge its funding gaps and identifies achievable savings

Whilst central government provided the Council with significant levels of funding during 2020/21 to support the additional costs associated with the Covid-19 pandemic, they also set an expectation that councils should raise council tax and the adult social care precept by the maximum amount available to cover the financial gap. As a result, the Council chose to raise council tax by an additional 1.99% in the 2020/21 year and use the 3% adult social care precept increase to meet rising demand for social care, to close a £6.3 million funding gap expected in 2021/22.

The Council has a good track record of achieving budget and takes a prudent approach to forecasting. We note that historically, deficits have been forecast throughout the year, but the year-end outturn position has always been a surplus.

Total useable reserves of the Council are £155.3 million. This not only demonstrates that there is a significant buffer against any financial uncertainty, but that the Council has in place strong budgetary controls across the directorates which ensures the Council has a healthy, sustainable budget based on good risk management.

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

When developing the medium term financial plan the Council adopts a risk-based approach looking at relevant internal and external factors which may impact on the ability to provide services. For 2020/21 the matters considered included the risks associated with changes in government policy, the state of the economy, particularly the potential for downturns and the impact of Brexit, and demographic factors which may impact on the demand for services. Beyond this the Council also consider a host of other factors including supply chain issues, work force retention and recruitment and information governance risks.

These risks are managed on a continuous rolling basis in order to arrive at an overall risk score which reflects the potential size/significance of the risk and its likelihood. Action plans identifying further mitigating actions required are put in place to support continued delivery of services.

This process demonstrates that the Council has sufficient arrangements to both acknowledge and attempt to mitigate the impacts of these risks to ensure sustainable delivery of services.

Financial sustainability (continued)

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 basis of consistent communication across the Council is through its process of reporting and meetings, which not only allows for the effective communication of quarterly financial planning and capital expenditure seen across the organisation, but also allows for challenge from the various representatives of the sections within the Council if certain plans are not congruent. The Audit Committee, Cabinet and Council meetings provide forums for such challenge and discussion. Before reports reach the presentation stage they are run by the various department heads to ensure that the information presented is correct.

Staff costs are a key expenditure stream for the Council and have a significant impact on its financial plans. The 2021-2024 Efficiency Programme takes into account workforce planning, to ensure that the work force can be adapted over the next four years, allowing the workforce to fulfil their potential and allow the recruitment of staff with the necessary skills required. Given that the Efficiency programme is interwoven into the Medium Term Financial Plan we are content that the Council has in place the necessary arrangements to ensure that its other plans are aligned with the financial constraints.

As part of the Capital / Treasury Strategy there is close working between finance and the various elements of the business. The capital programme ensures that the need for investment is identified as well as then ensuring there is sufficient review, approval and monitoring of any expenditure so that it is not in conflict with other areas of the business as well as funding capacities. Seeing capital expenditure being pushed back through reprogramming is also evidence of a strong and prudent environment around capital spending.

Financial sustainability (continued)

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

The Council has a robust process of review when it comes to the risks that it faces, in particular financial resilience. This is mandatory as a result of Section 25 of the Local Government Act 2003 which requires the Chief Finance Officer of the Authority to report on the robustness of the estimates made for the purpose of Budget and Council tax calculations, and the adequacy of the proposed financial reserves.

The foundation of the Council's risk identification and management process is its Strategic Risk register which includes, as one of its risks, finance and resourcing. Within this the Council acknowledges that there is a risk resulting from the significant historic reduction in local authority core funding, and the ongoing uncertainty of funding beyond 2020/21, which has been further exacerbated by the Covid-19 pandemic. This has been further compounded by patchwork funding for social care and the introduction of new funding formulas for schools and, at the same time, the demand for services for vulnerable adults and children continues to grow.

The risk register, and quarterly reviews and meetings, allow the Council to respond to any changes in demand and allow them to put in place mitigating factors which not only allow for oversight of any unplanned changes but form the basis of how the entity plans to act in order to remain financially resilient. During the Covid pandemic the Council also increased its level of scrutiny, given how suddenly the risk landscape changed.

Whilst the 2021-2025 Medium-Term Financial Plan currently assumes no use of reserves to support the budget. The current plan maintains the Strategic Reserve at least at the planned level of £10million over the life of the plan.

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

Governance

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

At the very core of its arrangements the Council has a Constitution which sets out the key responsibilities of elected officials, members and staff. In addition to this, it also has a host of policies which specify how they should behave in light of potential instances of fraud.

To support the upholding of the Constitution, the Council also has several committees. In particular the Overview, Scrutiny and Policy Development Committee assesses the robustness of the policies themselves and their implementation in light of the Constitution. In addition there is also the Appointments and Disciplinary Committee which enacts any necessary internal discipline if malpractice has been noted.

The Council also maintains a strategic risk register. The strategic risk register contains risks, including those influenced by external factors and internal risks which can stem from normal operations. These are monitored to ensure that the necessary internal controls are in place, with areas of improvement noted and action plans to ensure that the Council can continue to achieve its priorities.

We also note that counter-fraud activity is overseen by the Council's internal auditor and monitoring officer. Quarterly reporting on counter-fraud activity and risks is provided by internal audit to the Audit Committee.

How the body approaches and carries out its annual budget setting process

Each quarter, before the setting of budgets, the Budget sub-group of the Overview, Scrutiny and Policy Development Committee considers and scrutinises Cabinet's approach to budget engagement and Cabinet's initial budget proposals. Budgets and the Council Tax rates for the year are usually approved by Cabinet in January / February and budget performance is reported to the Audit Committee.

In setting the annual budget, the Council continues to face a number of significant financial pressures that existed before factoring in the impact of the Covid-19 pandemic.

The Council publishes its key budget and finance reports on its website: <https://my.northtyneside.gov.uk/news/27823/budget-agreed-2021-2022>

Governance (continued)

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.

Financial performance is monitored on a monthly basis through the management accounts. All budget managers have access to real time financial information via the Council's financial systems. Monitoring of financial performance is overseen by the Overview, Scrutiny and Policy Development Committee with higher-level reporting provided to Cabinet. Cabinet are provided quarterly updates on the Council's actual versus budgeted spend and the projected year end outturn.

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.

In addition to Cabinet, the Council has a current total of 20 further committees, sub-committees, boards and panels which provide oversight of particularly elements of the internal control environment, including the Standards Committee, Audit Committee and Regulation & Review Committee. Each committee includes member / director representation to provide independent challenge of management, and is required to report to Cabinet / Council on the assurance received.

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).

The Council has approved and adopted a Constitution, which is consistent with the principles of the Chartered Institute of Public Finance Accountants. The Council recognises that to fulfil its purpose, and deliver the intended outcomes for its citizens and service users, it needs to have in place comprehensive arrangements for corporate governance and accountability designed to ensure that it and its employees operate in an effective, efficient and ethical manner.

The Council has a wide range of HR policies covering expectations and requirements of staff. Failure to adhere to these policies can result in disciplinary procedures against individuals. This is overseen by the Overview, Scrutiny & Policy Development Committee.

Improving economy, efficiency and effectiveness

The Council has 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.

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

The Council Plan, 'Our North Tyneside 2020-2024' sets out the following three areas of focus:

- 1) Our People - how to improve the experience, health and wellbeing of the people in the area
- 2) Our Places - regenerating the local area to ensure that the physical infrastructure promotes the wellbeing of the citizens
- 3) Our Economy - growing local business to provide the conditions for employment for residents

The Council Plan sets out the overall vision and policy context within which the Financial Plan and Budget proposals will operate. The Council works to a clear set of priorities through the Council Plan and these priorities have formed the basis of the Framework for COVID-19 Recovery in North Tyneside. Ultimately, this plan sets out the key performance criteria upon which the Council is judged.

Each quarter, the Council reviews performance against the priorities set out in the Council Plan. This is then presented to Council, whereby the performance is open to challenge and thus enables the Council to identify areas for improvement.

How the body evaluates the services it provides to assess performance and identify areas for improvement

Where internal reporting or other sources (e.g. external inspections, whistleblowing etc.) identify performance concerns, responsible team leaders and management are challenged on the reasons for the underperformance, and the steps being taken to deliver improvements. Significant elements of underperformance are then escalated and reported to Cabinet as required.

The Council also has in place an internal audit function which is given specific areas to review and audit on an annual basis. The information detailed in this process is then taken to Audit Committee whereby areas of improvement are noted and challenges made of management.

The Council also has over 20 separate Committees, sub committees and panels. Part of their remit is to regularly monitor performance for service delivery in the provision of service within the Council in respect the Council's core functions set out in the Council Plan. This is then reported to Cabinet / Council on a regular basis which can then be acted upon if areas of improvement are identified.

From a political level the Councillors and the elected Mayor are also held accountable in local elections. Furthermore, the Council website allows its citizens to air their discontent and there is a residents panel which highlights the need for improvement in certain areas of service provision.

Improving economy, efficiency and effectiveness (continued)

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

The Council understands the importance of working in partnership to achieve its goals. One of the most significant partnerships is the North of Tyne Combined Authority (NTCA) which was established in November 2018. This brings together the three councils which serve Newcastle, North Tyneside and Northumberland. NTCA works across the following three portfolios and work streams:

1. Transport (within North East Joint Transport Committee)
2. Employability and Inclusion
3. Economic development and regeneration

Finance and procurement is provided by North Tyneside Council, with legal and HR support and advice provided by Newcastle City Council in addition to IT support. The Leader and Deputy Leader of the Council are members of the NTCA cabinet and there is representation from the Council across the various committees.

The Council has a significant pooled budget arrangement with North Tyneside Clinical Commissioning Group. More specifically, the Better Care Fund was established by the Government to provide funds to local areas to support the integration of health and social care and to seek the achievement of national conditions and local objectives. The Council monitors and reports the amounts of expenditure through this arrangement. Decision making with regard to the Pooled Budget with the CCG feeds into the regular budgetary processes.

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.

Services are not usually outsourced, with the exception being Capita and Equans who manage the housing and finance departments of the Council. Management receive regular reporting on the activities of these organisation, including financial and operational performance reporting.



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 did not identify any areas of concern.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued.

We will liaise with the Council to complete this work as required.

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 (cont'd)

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.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
We recognise that the management continue to face challenges, including ongoing remote working, as a result of the Covid-19 pandemic but we encountered longer than expected delays in receiving some of the evidence to support the disclosures made in the financial statements and responses to queries in some areas. We also note that, in some areas, the quality of the evidence was not always at the level required.	The delays encountered were a significant factor in our inability to issue our audit opinion by 30 September 2021. We have suggested to management that a full debrief is held in preparation for 2021/22.
Multiple errors were identified during the audit of the officer remuneration and expenditure disclosures which resulted in amendments to the disclosures included in the draft 2020/21 financial statements presented for audit and also the 2019/20 comparatives. The main reasons for the errors were: <ul style="list-style-type: none">• The 2019/20 officer remuneration note being prepared on an incomplete set of data.• The remuneration and exit packages note, including disclosure of individuals employed by VA and Trust schools, rather than the Council, which contradicts the requirements of the CIPFA Code.• The exit packages note being prepared on payments made through the relevant general ledger codes without liaison with the HR/payroll departments to determine the date that the exit package was agreed which is the point disclosure is required under the CIPFA Code.	We recommend that management revise the procedures for preparation of these disclosures, so that closer liaison with the HR/payroll departments is in place and more thorough quality assurance procedures are performed in this area before the statements are presented for audit.

Other Reporting Issues (cont'd)

Control Themes and Observations (cont'd)

Description	Impact
As a result of delays during the Covid-19 pandemic, a number of key Council policies, including whistleblowing and anti-bribery, have passed their date for review. We understand that plans are in place to proceed with approval of updated policies in the medium term.	The formal written policies may not be in-line with best practice guidance or the actual operating procedures of the Council.
We recommend that management rebase the operator models for the schools and street-lighting PFIs and ensure that the accounting model reflects the changes to the operating model.	Rebasing the models would allow for more accurate management accounting and monitoring of the processes surrounding the PFI assets and liabilities.

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