



Darlington Borough Council

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

14 August 2023



EY

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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 July 2021)" 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 and Standards Committee and management of Darlington Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee and management of Darlington Borough 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 and Standards Committee and management of Darlington Borough 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.

A close-up portrait of a woman's face, focusing on her eyes and nose. The image is partially obscured by a bright yellow rectangular overlay on the left side. The woman has light brown hair and green eyes.

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	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 have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) . We issued our auditor's report on 25 July 2023.
Going concern	We have concluded that the S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Narrative Report and other information published with the financial statements	Financial information in the Narrative Report and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 4 of this report.
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 of the Council communicating significant findings resulting from our audit.	We issued an Audit Results Report (ARR) dated 8 April 2022 to the Audit Committee, when work was outstanding on infrastructure assets. We updated the ARR in July 2023 at the completion 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 certify that we have completed the audit of the accounts of Darlington Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office. The certificate has been issued on 14 August 2023.

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated July 2021)". As outlined in the Audit Results Report, we were required to carry out additional audit procedures to address audit risks in relation to the valuation of property, plant and equipment (including the infrastructure issue), the going concern assessment and disclosures, EY internal consultation on the audit report, revised auditing standard for estimates which meant more work was necessary on the pensions disclosures, and accounting for Covid-19 related grants. As a result, we propose an associated additional fee to be agreed with the S151 Officer and will be determined by PSAA. We include details of the audit fees in Appendix 1.

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

Caroline Mulley

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 that we issued on 14 July 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, Narrative Report 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

Key issues

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

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 25 July 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 26 April and 19 July 2023 Audit Committee meeting. 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
<p>Misstatements due to fraud or error - management override of controls</p> <p>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.</p>	<p>Our audit work found no evidence that management had attempted to override internal controls. We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual, or outside the Council's normal course of business. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.</p>
<p>Risk of fraud in revenue and expenditure recognition - Inappropriate capitalisation of expenditure</p> <p>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.</p>	<p>Our testing did not identify any material misstatements from inappropriate capitalisation of revenue expenditure.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p> <p>We did not identify any material weaknesses in controls or evidence of material management override.</p>

Continued over.

Financial Statement Audit (continued)

Significant risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition - Accounting for Covid-19 related grant funding</p> <p>Government provided new and different Covid-19 related grants during the year. Funds have also been provided for the Council to pass to other bodies. While there is no change in the CIPFA Code or accounting standard (IFRS 15) on accounting for these, the emergency nature of some grants and in some cases, the lack of clarity on any restrictions and conditions, means that the Council had to apply more judgement to determine the appropriate accounting treatment. The Council had to assess whether it was acting as a principal or agent. Where the decision is as a principal, it also had to assess whether there were any initial conditions affecting recognition as revenue during 2020-21</p>	<p>We reviewed the Council's decision for new grant or funding arrangements as to whether it is acting as principal or agent. We reviewed whether any initial conditions are attached to grants affecting their recognition. We assessed whether the accounting appropriately follows those judgements. We tested that the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.</p> <p>The results of testing of grant income did not identify any material issues, but we noted that:</p> <ul style="list-style-type: none"> Grant income –credit to services within our sample we noted £38,100 being invoicing re 19/20, this was in part due to delays in completion of assessments for respite care income. These differences arose within our representative statistical sampling and therefore are projected over the remaining population giving a projected difference of £740,000 which is above our group reporting threshold and so included on our summary of audit differences, however it is not material to total income. Our testing of Covid-19 grant income did not identify any material issues.
Other area of audit focus	Conclusion
<p>Valuation of land and buildings</p> <p>Land and buildings is the most significant balance in the Trust's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:</p> <ul style="list-style-type: none"> harder to value assets – such as assets which are valued on a depreciated replacement cost basis; the assumptions and estimates used to calculate the valuation; and changes to the basis for valuing the assets. <p>During our subsequent events testing, we identified that new information was available in respect of the valuation of Council Dwellings at 31 March 2021, following testing of the information and agreement with management, an adjustment has been recorded to increase the value presented in the financial statements by £8m.</p> <p>We did not identify any material misstatements in the values for Investment Properties.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Pension Liability valuation</p> <p>The Pension Fund /liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. 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 agreed the Authority's pension liability disclosures to the actuarial report and reviewed our pensions advisory team's review of work carried out by PwC (Consulting Actuaries commissioned by the NAO for all LG sector auditors).</p> <p>As part of the revised ISA 540 requirements, we asked our specialist pension team to reconcile the 2019-20 pension liability figure to 2020-21, recalculating the figures rolled forward as a sense check against the actuary's figures. The team confirmed that this corroborated the actuary: EY's recalculation gave a difference below 2%, i.e. within an acceptable range.</p> <p>During the subsequent events period the actuarial triennial valuation for 2022 was published for the scheme. We were required to consider this work as part of our audit of the 2020-21 & 2021-22 financial statements, as the IAS19 disclosures in the financial statements utilise membership data from the previous triennial valuation (2019) and a material movement in membership data could give rise to a material change required to the IAS19 figures presented. The IAS19 figures have been recalculated for 2021-22 and did show a material change in membership. Management has been providing evidence to support the fact that the main element of increase in members occurred in the 2021-22 financial year and therefore that no adjustment to the IAS19 figures in 2020-21 is required.</p>
<p>Going concern disclosures</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 challenged management's identification of events or conditions affecting going concern as we reviewed its assessment.</p> <p>We evaluated the risk of management bias, as we considered all the evidence (whether corroborative or contradictory).</p> <p>We considered the appropriateness of financial statement disclosures around going concern.</p> <p>Because of Covid-19 we performed additional detailed work over the Council's assessment of Going Concern in our 2019/20 audit. For 2020/21, the change in ISA did not increase our work beyond that performed in 2019/20.</p> <p>We have no issues to raise in this area.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Infrastructure assets</p> <p>This was a national issue arising from the widespread practice of not derecognising infrastructure assets appropriately. After a period of consultation, DLUHC and CIPFA identified a solution which took effect from 25 December 2022 with guidance issued in January 2023.</p>	<p>The Council has decided to use the simpler option of disclosing the net book value of infrastructure assets, and we have reviewed these disclosures in the light of the recent guidance and the work done by the Finance team. We had no issues to report</p> <p>We draw to the Council's attention that this approach is only allowed on a temporary basis, up to the financial year 2024-25. After this, bodies will be expected to account for infrastructure valuation in the standard way: but this allows time for them to be able to do this.</p>

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

It responds to changes in financial reporting standards and a more complex business environment, which have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The changes could affect the nature and extent of information requested and increase the audit work needed, particularly where an accounting estimate and related disclosures are higher risk. This could include:

- increased challenge of how you arrive at your accounting estimates
- more focused requests for evidence or more targeted procedures relating to components of accounting estimates, including the methods or models used, assumptions made or how disclosures around uncertainty have been made, depending on our assessment of where the inherent risk lies.

In our audit of the financial statements for 2020/21, the revised standard affected the level of work we performed on property and pension valuations as well as the assessment of the NDR provision.

Continued over.

Financial Statement Audit (continued)

Audit differences

We identified a small number of misstatements in disclosures which management corrected. However, management did not adjust for two items in our findings, a £116K net overstatement of the PFI liability (an unwinding of prior year issues), and an overstatement of income by £740K (income reported in 2020/21 which related to 2019/20).

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.

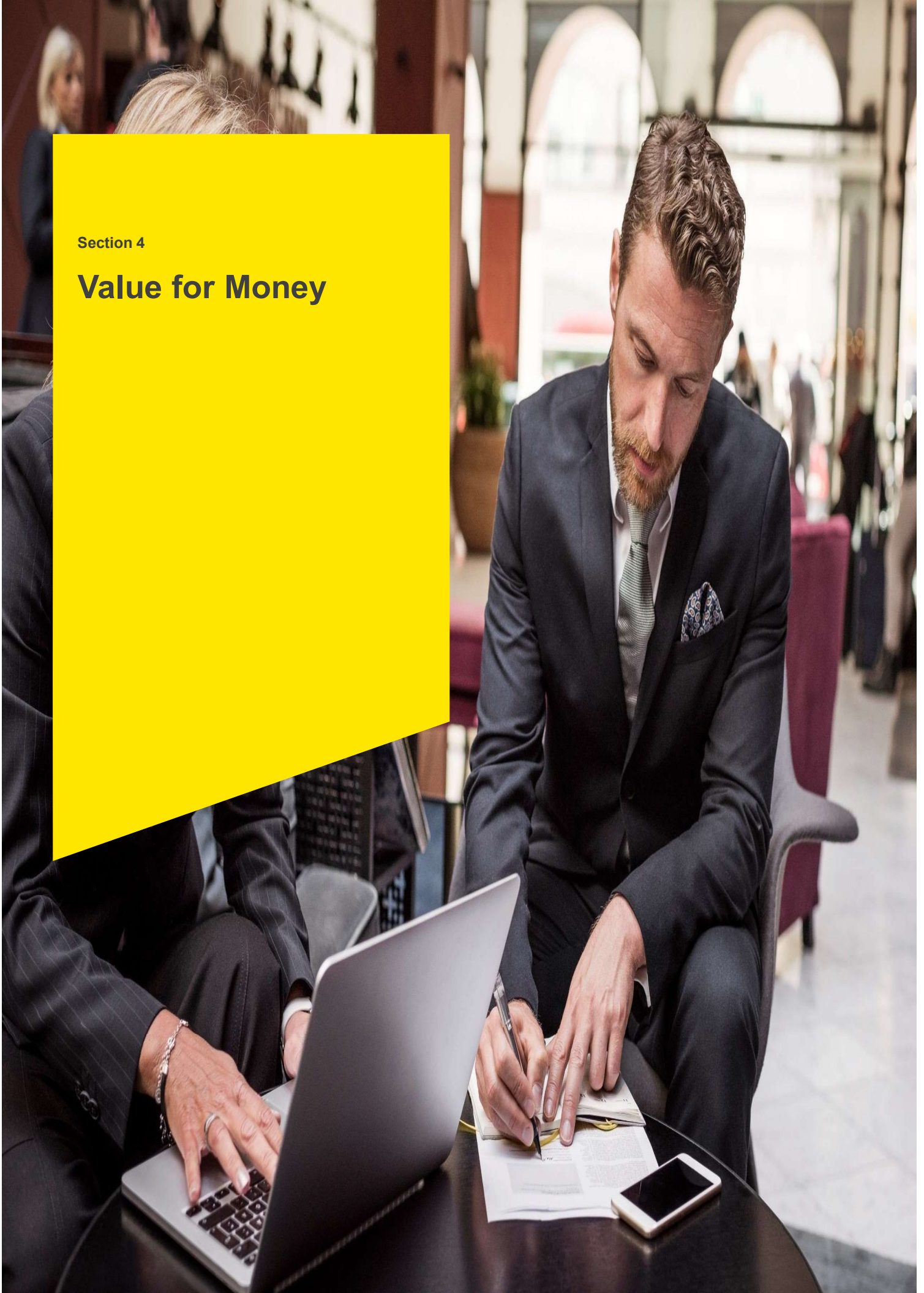
Item	Thresholds applied
Planning materiality	We determined planning materiality to be £5.1m as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences exceeding £250K.

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:

- ▶ Cash/bank balance: 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

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 confirmed our final VFM risk assessment to the 19 July 2023 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 officers 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 in April 2023 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:

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

- 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.

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.

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.

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

For 2020/21 the Authority had the expected arrangements in place to plan and manage its resources to ensure it can continue to deliver services.

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

Finance staff work with Service managers to identify any potential pressures/savings over the next four years at budget setting time (also reviewing any pressures/savings previously identified), agreed by the relevant Assistant Director/Director and then these are collated by the Corporate Finance Manager and presented to COE, who review and challenge. Numerous iterations are brought back to COE until they are satisfied that the pressures/savings show a true representation of the potential for the foreseeable future.

Costings and business plans are required to substantiate pressures/savings. To underpin all of the above the Council does continuous budget management to identify any pressures/savings at an early stage and these are presented to Cabinet on a quarterly basis with appropriate action taken.

The Council proactively monitors and amends the budget where considered necessary.

Financial sustainability (continued)

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

Savings and pressures are identified in an holistic approach. Resources are identified and projected based on intelligence gathered and forecast numbers i.e. council tax is calculated on the existing taxbase with relevant projections of new housebuilding (from Planners) and previously agreed council tax increases. External consultants (LG Futures) help predict potential changes in resources going forward i.e. NNDR changes through a reset, changes to new homes bonus etc.

Central government provided significant recurring grants (and one-off grants) to DBC during 2020/21 to support the additional costs associated with Covid-19.

The Council's projected revenue reserves at the end of 2020-21 were £22.306m, £2.943m higher than the initial 2020-24 medium-term financial plan (MTFP) position and including a brought forward £0.274m from 2019-20 and the rebasing exercise of £0.897m.

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.

Of the £22.306m projected reserves, there is a risk reserve balance of £4.350m and a commitment to use £11.330m to support years 2 – 4 of the current MTFP, which leaves a funding surplus of £6.626m. However there will be ongoing pressures leading to a full review of the MTFP in 2021/22. While significant, it is due to unforeseen costs associated with Covid-19 and is consistent with Councils across the country. The Council managed this position and were able to still forecast a surplus at year end despite the added pressures.

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

When establishing its MTFP the Council adopts a risk-based approach looking at relevant external factors, e.g. changes in government policy, the state of the economy and the impact on demand for services.

The Council maintains a corporate risk register. This contains the risks influenced by external factors and arising from outside the Council: also internal risks which can stem from normal operations and may affect the achievement of the Council's priorities.

To arrive at an overall risk rating, a risk matrix is used based on the impact of the risk and its likelihood. Once the rating is determined an action plan identifying further mitigating action is put together.

The risks identified are in line with our expectations of both the client and the sector's risks, many of which relate to the Covid-19 pandemic. The identification of such risks is clear and the Council has sufficient arrangements 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 MTFP is under the same directorship as the workforce, capital, investment and operational planning ensuring consistency across the board. The capital strategy incorporates the capital programme and is embedded with the investment strategy plan, being part of the Treasury Management Strategy. All plans are presented to Cabinet for member scrutiny as well as being included in the normal committee cycle, where each report is signed off by a finance (if any financial implications) and legal representative before being checked by the relevant AD and Director. The Chief Officers' Board (COB) of all assistant directors meets every week, and all these plans will be discussed as appropriate to ensure consistency with the Council's vision and fitness for purpose. The management team (all Council Directors) also meets independently of COB to discuss strategic direction. The Director of Operations has regular scheduled meetings with other Directors of Resources in the Tees Valley where common aims are discussed and agreed and best practice shared.

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.

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 (costed) risk reserve that identifies potential changes in demand: as there is continual budget management, any changes or inherent risks are identified at an early stage so that appropriate action can be taken and to ensure that they can be built into future plans.

Due to the significant disruption to normal activity from the pandemic, there is recognition within the sector that operations have been difficult to predict for 2020/21. Management has closely monitored outturn throughout 2020/21 and based financial plans for the second half of the year on an expectation of second, third and even fourth waves of COVID. Given the extreme circumstances in which the entity was operating, management's more cautious approach during 2020/21 is not considered to be a significant weakness in arrangements, but rather a reflection of the fact the entire sector has spent most of the year in 'crisis management' mode.

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

The Council has a comprehensive risk register that is facilitated by the Complaints and information Governance Manager who liaises with all Groups and produces a Corporate risk register as well as individual group matrices - the results are presented to Audit Committee on an annual basis with the Risk Management strategy going to Cabinet. The Council has an Internal Audit Section (a shared service with Stockton Borough Council) with a comprehensive risk based audit approach to all of the services in Darlington with results reported to Audit committee on a quarterly basis.

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

Due to the significant disruption to normal activity from the pandemic, there is recognition within the sector that operations have been difficult to predict for 2020/21. Management have closely monitored outturn throughout 2020/21 and based financial plans for the second half of the year on an expectation of second, third and even fourth waves of COVID. Given the extreme circumstances in which the entity has been operating, management's more cautious approach during 2020/21 is not considered to be a significant weakness in arrangements, but rather a reflection of the fact the entire sector has spent most of the year in 'crisis management' mode.

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

The Council starts its budget setting cycle early (July) with Finance officers liaising with service managers and reviewing the previous year's performance, as well as the current MTFP budgets, before identifying any potential future pressures/savings. A set of guidance notes is produced by corporate finance to ensure a consistent approach. Any pressures/savings are identified early so that COE can review them to ascertain their validity (see above). Each service group works to an agreed resource allocation envelope that is part of the MTFP process and identifies resources to fund the MTFP. The draft MTFP for the next four years is presented to Cabinet in December to allow a consultation period with relevant stakeholders etc. and brought back to Cabinet in January before going to Full council in February for approval and subsequent implementation. The continuous budget monitoring also contributes to the budget cycle as most pressures/savings or potential amendments to the MTFP will have been identified at an early stage.

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.

The Council carries out continuous budget management using an electronic budget management system (FMS) that sends out budget management reports on spend/budget/commitments etc every month to each budget holder by email. The completed sheets are loaded back into the FMS to allow reports to be produced. The Council works on a risk basis with high risk areas receiving financial advice monthly and low risk areas every three months, with an outturn report at year-end (June/July). The results of the budget management process are presented to Cabinet every quarter to enable members to analyse the overall financial situation. These reports also go to the Economy & Resources Scrutiny Committee who carry out regular reviews.

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.

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

As above, appropriate action is taken by the Scrutiny Committee and Cabinet every quarter (and on an ad hoc basis if required).

The Council recognises that in order to fulfil its purpose and deliver the intended outcomes for its citizens and service users it needs to have comprehensive arrangements for corporate governance and accountability to ensure that it operates in an effective, efficient and ethical manner.

The Council has a wide range of HR policies covering expectations and staff requirements. These are categorised into a number of themes, for example policies relating to the conduct of individuals (e.g. anti-fraud, bullying, whistleblowing policies etc.). Failure to adhere to these policies can result in disciplinary procedures against individuals.

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 policies on these areas that all staff are required to read and acknowledge, with relevant statistics produced and reported to the Audit Committee regularly, as well as the results of any action taken if the standards have been breached (there is a report from the Monitoring Officer).

Improving economy, efficiency and effectiveness

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

The Council does extensive benchmarking (predominantly through CIPFA) to ensure that it is not an outlier in terms of performance - they still strive to keep costs at an acceptable level. In setting the budget it uses statistical data to ensure costs are correctly identified, e.g. the 22/23 MTFP included pressures where adult social care costs are rising especially in home care services (where an additional 1,771 hours of care have been identified), and in direct payments (where there has been an increase of 530 hours).

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

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.

The council constantly strives to improve its services by embracing and identifying best practice - In childrens' social care they have been working with Leeds City Council (recognised as being leaders in the field) to identify any areas of improvement to encourage best practice in one of the big spending areas - strengthening families. There is a peer review due in childrens' social care that will help to identify the direction of travel.

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 has a partnership tool kit that identifies its significant partners to ensure that there are adequate governance arrangements. This is reported to the Audit Committee annually. Quarterly financial reports (both revenue and capital) are taken to Cabinet to allow them to monitor the financial situation of the Council and take any action as appropriate. The annual MTFP is presented to Cabinet every December and recommended for consultation with stakeholders and scrutiny committees before the final report is presented to Special Council the following February (after taking account of feedback).

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 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.

The Council has a dedicated Procurement section and a well-established process to ensure that all contracts (over the de minimis limit of £10k) follow the recognised procedure of going to Procurement Board (with senior officer membership), to be agreed. There is also a flag on the FMS system (Agresso) that gives a warning to the Procurement section of any invoice over the £10k limit which has not been approved by the Procurement Board. The contracts register is published on the website and is periodically updated. Procurement also analyses the spend of the Council on a continuous basis to ensure consistency and identify anomalies.

A woman with blonde hair, wearing a dark business suit, is leaning on a wooden conference table. She is looking intently at a document on the table. Other people in business attire are visible around the table, some with their hands on the surface. The background is a bright, modern office setting with large windows and greenery.

Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Council's 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 performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission.

We completed this work and did not identify any areas of concern.

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.

Our audit did not identify any controls issues to bring to the attention of the **Audit Committee**.

Appendix A

Audit Fees



Audit Fees

Our fee for 2020/21 is in line with the audit fee agreed and reported in our Annual Results Report, updated to take account of the extra work required as set out above.

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Total Audit Fee – Code work	71,813	71,813	71,813
Proposed increase in scale fee to reflect the changes to address additional professional and regulatory requirements and scope associated with risk (Note 1)	20,871	21,168	Included below
Proposed additional fees for in year additional work required:			
Infrastructure assets	5,449	N/A	N/A
Pension valuation work	4,364	N/A	N/A
Impact of COVID	4,802	N/A	11,373
Change to VFM reporting	6,513	6,500	N/A
Impact of new ISA540	2,489	2,500	N/A
Total proposed additional fee	44,488	N/A	31,649
Final audit fee for the year	116,301	N/A	103,462
Non-audit work	21,500	21,500	25,000

For 2020/21 the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Council and additional work to address increase in regulatory standards. The additional fee for 2020/21 has been discussed with management and remains subject to determination by PSAA Ltd.

Note 1: in 2019/20 PSAA determined a supplementary fee of £20,276 across all categories.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

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