

To: Leader and Members of the Executive Board

(Councillors D Wright, Bell, Clews, Dirveiks, Gosling, Parsons, H Phillips, Reilly, Ridley, Simpson, Symonds and Whapples)

For the information of other Members of the Council

For general enquiries please contact the Democratic Services Team on 01827 719221 or via e-mail – democraticservices@northwarks.gov.uk

For enquiries about specific reports please contact the officer named in the reports.

The agenda and reports are available in large print and electronic accessible formats if requested.

EXECUTIVE BOARD AGENDA

27 NOVEMBER 2023

The Executive Board will meet in The Chamber, The Council House, South Street, Atherstone on Monday, 27 November 2023 at 6.30pm.

The meeting can also be viewed on the Council's YouTube channel at NorthWarks - YouTube.

AGENDA

- 1 Evacuation Procedure.**
- 2 Apologies for Absence / Members away on official Council business.**
- 3 Disclosable Pecuniary and Non-Pecuniary Interests.**

4 **Public Participation**

Up to twenty minutes will be set aside for members of the public to put questions to elected Members.

Members of the public wishing to address the Board must register their intention to do so by 9:30am two working days prior to the meeting. Participants are restricted to five minutes each.

If you wish to put a question to the meeting, please register by email to democraticservices@northwarks.gov.uk or telephone 01827 719221 / 01827 719237.

Once registered to speak, the person asking the question has the option to either:

- a) attend the meeting in person at the Council Chamber;
- b) attend remotely via Teams; or
- c) request that the Chair reads out their written question.

The Council Chamber has level access via a lift to assist those with limited mobility who attend in person however, it may be more convenient to attend remotely.

If attending remotely an invitation will be sent to join the Teams video conferencing for this meeting. Those registered to speak should dial the telephone number and ID number (provided on their invitation) when joining the meeting to ask their question. However, whilst waiting they will be able to hear what is being said at the meeting. They will also be able to view the meeting using the YouTube link provided (if so, they made need to mute the sound on YouTube when they speak on the phone to prevent feedback).

- 5 **Minutes of the Executive Board held on 18 September 2023** – copies herewith, to be approved as a correct record and signed by the Chairman.

ITEMS FOR DISCUSSION AND DECISION (WHITE PAPERS)

- 6 **External Auditors Report** – Report of the Interim Corporate Director – Resources

Summary

This report presents the Audit Planning Report and Audit Results Annual Report for year ended 31 March 2021 received from the Council's external auditors, Ernst & Young LLP.

The Contact Officer for this report is Alison Turner (719374).

- 7 **Financial Statements** – Report of the Interim Corporate Director - Resources

Summary

The Financial Statements for 2020/21 have been completed. This report highlights the position on the General Fund and Housing Revenue Account, compared with the estimated position previously reported.

The Contact Officer for this report is Alison Turner (719374)

- 8 **Adoption of Dordon Neighbourhood Plan** – Report of the Chief Executive

Summary

This report informs Members of the progress of the Dordon Neighbourhood Plan and seeks approval to adopt in accordance with section 16 of the Neighbourhood Planning (General) Regulations 2012.

The Contact Officer for this report is Sue Wilson (719499).

- 9 **Budgetary Control Report 2023/24 Period Ended 31 October 2023**– Report of the Interim Corporate Director – Resources

Summary

The report covers revenue expenditure and income for the period from 1 April 2023 to 31 October 2023. The 2023/24 budget and the actual position for the period, compared with the estimate at that date, are given, together with an estimate of the out-turn position for services reporting to this Board.

The Contact Officer for this report is Nigel Lane (719371).

- 10 **Medium Term Financial Strategy 2023-2028** – Report of the Interim Corporate Director - Resources

Summary

This report summarises the Authority's Medium Term Financial Strategy as attached in Appendix A. It projects forward the Authority's General Fund budgets to 2027/28 and suggests a budget approach for the 2024/25 General Fund Budget.

The Contact Officer for this report is Alison Turner (719374).

- 11 **Financial Inclusion** – Report of the Chief Executive and Interim Corporate Director - Resources

Summary

The purpose of this report is to provide information further to the motion to Council on 27 September.

The Contact Officers for this report are Steve Maxey (719438), Alison Turner (719374) and Sally Roberts (719414).

- 12 **Calendar of Meetings 2023/24 and 2024/25** – Report of the Chief Executive

Summary

The purpose of this report is to seek approval for changes to dates of meetings in March and May 2024 and to approve a calendar of meetings for 2024/25.

The Contact Officer for this report is Amanda Tonks (719221)

- 13 **Atherstone Public Spaces Protection Order** – Report of the Chief Executive

Summary

The purpose of this report is for Members considering consulting on a Public Spaces Protection Order in Atherstone

The Contact Officers for this report is Steve Maxey (719438).

- 14 **Income Manager Upgrade** – Report of the Chief Executive

Summary

This report provides Members with an update regarding our income management system and seeks approval from Members to approve hosting the system externally and support the additional revenue cost in 2024/25 of £12,999 and in the following two years additional £16,801 per annum.

The Contact Officer for this report is Trudi Barnsley (719388).

- 15 **Minutes of the Safer Communities Sub-Committee** held on 3 July 2023 – copy herewith.

16 **Exclusion of the Public and Press**

To consider, in accordance with Section 100A(4) of the Local Government Act 1972, whether it is in the public interest that the public and press be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by Schedule 12A to the Act.

17 **Staffing Matter** – Report of the Chief Executive

The Contact Officers for this report are Steve Maxey (719438) and Alison Turner (719374).

18 **Staffing Matter** – Report of the Chief Executive

The Contact Officer for this report is Steve Maxey (719438)

19 **Commercial Housing Company feasibility study**

The Contact Officer for this report is Steve Maxey (719438)

20 **Exempt Extract of the Minutes of the meeting of the Executive Board held on 18 September 2023** – copy herewith to be approved as a correct record and signed by the Chairman.

STEVE MAXEY
Chief Executive

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE EXECUTIVE BOARD

18 September 2023

Present: Councillor D Wright in the Chair

Councillors Bell, Clews, Gosling, Jenns, H Phillips, Reilly, Ridley, Simpson, Taylor and Whapples.

Apologies for absence were received from Councillors Parsons, (Substitute Taylor) Symonds (Substitute A Jenns) and Dirveiks.

24 **Declarations of Personal or Prejudicial Interest**

None were declared at the meeting.

25 **Minutes of the Executive Board held on 19 July 2023**

The minutes of the meeting of the Board held on 19 July 2023, copies having been circulated, were approved as a correct record and signed by the Chairman.

26 **Capital Programme – 2022/23 Final Position**

The Corporate Director - Resources updated Members on the position of the 2022/23 Capital programme at the end of March 2023.

Recommended to Council:

- a **That the level of expenditure incurred to the end of March 2023 against the 2022/23 Revised Capital Programme be noted; and**
- b **That the requests to carry forward schemes identified in column 6 of Appendix A to the report of the Corporate Director – Resources, be approved and added to the 2023/24 Capital Programme.**

27 Budgetary Control Report 2023/24 Period Ended 31 August 2023

The Corporate Director – Resources updated the Board on revenue expenditure and income for the period from 1 April 2023 to 31 August 2023. The 2023/24 budget and the actual position for the period, compared with the estimate at that date, were given, together with an estimate of the out-turn position for services reporting to the Board.

Recommendation to Council:

- a to consider if any further information is required; and**
- b that a presentation be arranged for Councillors on Emergency Planning.**

28 Approval of RIPA Policy

The Head of Legal Services and Monitoring Officer proposed the adoption of a revised policy in relation to the Council's use of its powers under the Regulation of Investigatory Powers Act 2000.

Resolved:

- a That the Council's revised policy in relation to the Regulation of investigatory Powers Act 2000 set out at Appendix A to the report of the Head of Legal Services be approved; and**
- b That it be noted that the Council had not utilised its powers under the Act during the previous 12-month period; and**
- c that a presentation be arranged for Councillors on the Regulation of Investigatory Powers Act.**

29 Local Government and Social Care Ombudsman Annual Review 2022/23

The Chief Executive informed the Board about the results of the Local Government and Social Care Ombudsman Annual Review 2022/23. The report highlighted the number of complaints and enquiries considered by the Ombudsman relating to the Council and the outcome of their determinations. The report also provided some contextual information about the compliments and complaints received via the Council's corporate Compliments and Complaints Procedure.

Resolved:

That the report be noted.

30 **Corporate Plan Priorities**

The Chief Executive sought Members' consideration of revisions to the draft Corporate Plan for consultation.

Resolved:

- a That the draft Corporate Plan be used for consultation; and**
- b That delegated powers be given to the Chief Executive, in consultation with the Leader of the Council and Leader of the Opposition, to undertake a public consultation.**

31 **Corporate Plan Performance Update**

The Chief Executive asked the Board to note the Corporate Plan Performance Update and identify any areas where further information was required.

Recommendation to the Board:

- a That the report be noted; and**
- b that more information be provided on the use of food banks and food parcels, that the Safer Communities Subcommittee consider the issue of the areas of recorded crime which are rising and that Warwickshire County Council be asked for a statement on their plans to use the section 106 infrastructure funding set out in their Infrastructure Funding Statement.**

32 **Plan Making Reforms: Consultation on Implementation**

The Chief Executive brought information on the plan making reforms consultation by national Government and sought Members' support for the views expressed in the report.

Resolved:

That the views of the Sub-Committee and those expressed in the report of the Chief Executive be approved as the response to the consultation on the Plan Making Reforms.

33 **Kingsbury Oil Terminal**

The Chief Executive and the Solicitor to the council advised Members on the background to the Council's action with regard to the Kingsbury Oil Terminal.

Resolved:

That the Report be noted.

34 **Exclusion of the Public and Press**

Resolved:

That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by Schedule 12A to the Act.

35 **Staffing Matter**

The Head of Development Control updated Members regarding a staffing matter.

Resolved:

That the supplementary estimate be approved.

36 **Exempt Extract of the minutes of the Executive Board held on 19 July 2023**

The Exempt minutes of the Executive Board held on 19 July 2023, copies having been previously circulated, were approved as a correct record and signed by the Chairman.

D Wright
CHAIR

Agenda Item No 6

Executive Board

27 November 2023

Report of the Interim Corporate Director - Resources

External Auditors' Report

1 Summary

- 1.1 This report presents the Audit Planning Report and Audit Results Annual Report for year ended 31 March 2021 received from the Council's external auditors, Ernst & Young LLP.

Recommendation to the Council

- a To note the contents of the Audit Planning report in Appendix A; and
- b That the Audit Results report presented as Appendix B be approved subject to any changes required as a result of the updated IAS19 report which takes account of the Pension Fund 2020/21 Triennial Review. It is requested that Members give the Section 151 Officer in consultation with the Chair of The Executive Board delegated authority to sign off the Letter of Representation when the audit is complete.

2 Introduction

- 2.1 The Council's external auditors, Ernst & Young LLP, have included their audit planning report for 2020/21 as Appendix A and the audit results report relating to the 2020/21 financial year attached as Appendix B.

- 2.2 All work is complete except for the final review of the pension fund taking into account the IAS19 report, this should be complete by the end of November and it is therefore recommended that this report is approved subject to this outstanding work and that the Section 151 Officer and Chair of Executive Board are delegated authority once this work is complete to sign the Letter of Representation. The audit has not yet started for financial years 2021/22 or 2022/23, the External Auditors are currently waiting for the Government to announce the plans for addressing backlog audits.

3 Audit Deadlines

- 3.1 In March 2021 new regulations came in force to extend the deadline for publishing audited local authority accounts to 30 September from 31 July for 2020/21. The deadline was also extended for the preparation of draft accounts from 31 May to 31 July.

3.2 Secondary legislation was introduced to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. Following this, the deadline will revert to 30 September for 6 years, until the end of the next appointing period for auditors.

3.3 This means that the Council is currently in breach of the secondary legislation in regard to the publication of accounts for 2020/21, 2021/22 and 2022/23. However, this applies to a significant number of Councils and is a sector wide problem.

3.4 Table of deadlines

Accounts	Draft Accounts Deadline	Draft Accounts Published	Accounts Audited and Signed deadline	Accounts Audited and Signed
2020/21	31 July 2021	16 May 2022	30 September 2021	-
2021/22	31 July 2022	-	30 November 2022	-
2022/23	31 May 2023	-	31 July 2023	-

4 Report Implications

4.1 Finance and Value for Money Implications

4.1.1 Budget provision for external audit costs has been made. The auditors review the financial arrangements of the Council, including an assessment of the value for money achieved by the Council in terms of economy, efficiency and effectiveness.

4.1.2 The ongoing delays in signing the accounts negatively impact decision making by the Council as it is making key decisions on spending and saving without the benefit of audit assurance.

4.2 Risk Management Implications

4.2.1 An external audit process provides some assurance over the Council’s internal control system and highlights any areas where improvements could be made.

4.3 Legal Implications

- 4.3.1 As indicated in the report, there are statutory deadlines for signing off local authority accounts which, because of delays by the external auditors appointed for the purpose, have not been met. In turn, the public right of inspection of accounts and their subsequent publication are also delayed. Once the accounts are signed off, whilst outside the statutory deadlines for doing so, the Council must still ensure that it allows inspection and then publishes accordingly.

The Contact Officer for this report is Alison Turner (719374).

Relevant Legislation

Local Audit and Accountability Act 2014

Accounts and Audit Regulations 2015

Accounts and Audit (Amendment) Regulations 2021

Local Audit (Public Access to Documents) Act 2017

Background Papers

Local Government Act 1972 Section 100D

Background Paper No	Author	Nature of Background Paper	Date

**North Warwickshire
Borough Council**
Audit planning report
Year ended 31 March 2021

January 2023



EY

Building a better
working world



Private and Confidential

23 January 2023

Executive Board
North Warwickshire Borough Council
Council House
South Street
Atherstone
CV9 1DE

Dear Board Members

Audit planning report

We are pleased to attach our audit planning report, which sets out how we intend to carry out our responsibilities as auditor, for the forthcoming meeting of the Executive Board. The purpose of this report is to provide the Board with a basis to review our proposed audit approach and scope for the 2020/21 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Board's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for North Warwickshire Borough Council. We have aligned our audit approach and scope with these risks, with this plan outlining our planned audit strategy in response.

This report is intended solely for the information and use of the Executive Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the next Executive Board Meeting on 23th January 2023 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley

For and on behalf of Ernst & Young LLP

Contents



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.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Executive Board and management of North Warwickshire Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Executive Board, and management of North Warwickshire 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 Executive Board and management of North Warwickshire Borough Council this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Executive Board with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

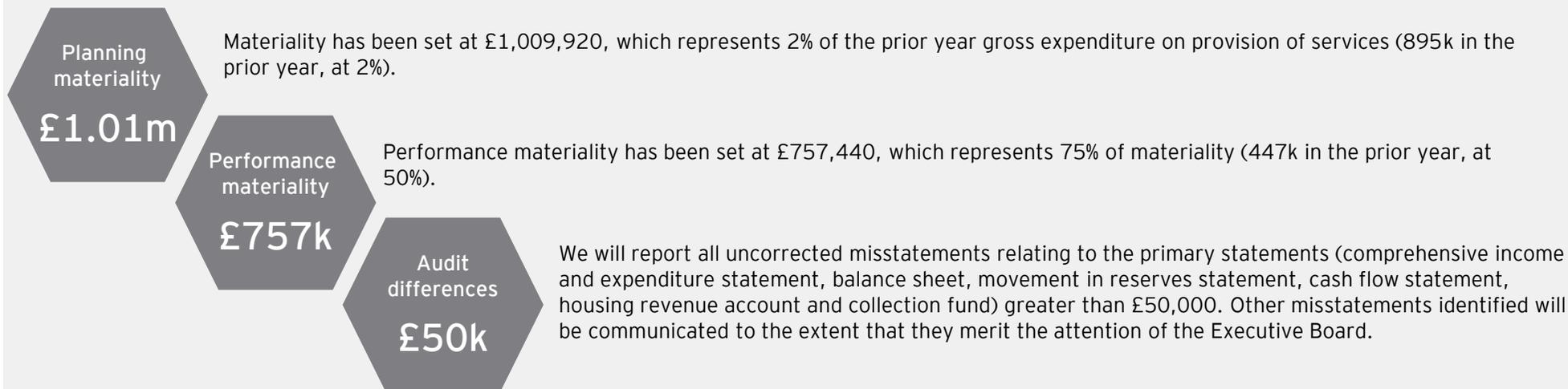
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. For a local authority, we consider that the potential for the incorrect classification of revenue spend as capital is a particular area of risk.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk above we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate risk, given the extent of the Council's capital programme.
Valuation of Council Dwellings, Other land and buildings and Investment Property	Significant Risk	No change in risk or focus	<p>The fair value of Council Dwellings, Other land and buildings and Investment Properties represent significant balances in the Council's accounts, totalling £165,6 million, £17,8 million and £8,3 million respectively at 31 March 2021.</p> <p>These balances are subject to valuation changes, impairment reviews, and depreciation charges. In calculating amounts recorded in the Council's balance sheet, management are required to make material judgements and apply estimation techniques. We consider that where assets are valued at either depreciated replacement cost or existing use value, or on the basis of their market value, the judgments and estimates made by management are more likely to have a significant impact on the valuation of the asset; we will therefore focus our work on assets valued on this basis.</p> <p>A significant risk is also present here due to the council employing the services of new valuation experts who may be applying different methodologies as compared to prior years.</p>
Accounting for covid-19 related government grants	Higher inherent risk	New risk in year	Given the revenue recognition criteria of Agent vs Principal is challenging, we consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on the recognition and treatment of additional grants received in year for Covid-19.

Overview of our 2020/21 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
IAS 19 Valuation	Higher inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by Warwickshire County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £37,1 million.</p> <p>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>

Materiality



Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of North Warwickshire Borough Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the Value for Money conclusion. Therefore to the extent any of these are relevant in the context of North Warwickshire Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



02 Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
*Misstatements due to fraud or error	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 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.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none">▶ Identifying fraud risks during the planning stages.▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.▶ Understanding the oversight given by those charged with governance of management's processes over fraud.▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.▶ Determining an appropriate strategy to address those identified risks of fraud.▶ Performing mandatory procedures regardless of specifically identified fraud risks, including:<ul style="list-style-type: none">▶ testing of journal entries and other adjustments in the preparation of the financial statements;▶ assessing accounting estimates for evidence of management bias; and▶ evaluating the business rationale for significant unusual transactions.
Financial statement impact		
<p>Misstatements that occur in relation to the risk of fraud or error could affect both the Comprehensive income and expenditure statement and the balance sheet. We deem the risk most prevalent when reviewing journals involved in the financial statements close process.</p>		

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>* Risk of fraud in incorrect capitalisation of revenue expenditure</p>	<p>What is the risk?</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. 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.</p> <p>For North Warwickshire Borough Council, we consider this risk to be present in:</p> <ul style="list-style-type: none"> ➤ Additions to property, plant and equipment; and, ➤ Inappropriate transfers between the Housing Revenue Account (HRA) and the General Fund. <p>Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.</p> <p>In addition there is a risk where transfers between the HRA and General Fund result in incorrect treatment of HRA revenue expenditure.</p>	<p>What will we do?</p> <p>In order to address this risk we will carry out a range of additional procedures, including:</p> <ul style="list-style-type: none"> ➤ Sample testing additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. ➤ Testing transfers between the HRA and General Fund to ensure such transfers are appropriate.
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the audited financial statements for 31 March 2021:</p> <p>Income Account: £42m</p> <p>Expenditure Account: £48m</p>		

Our response to significant risks

Valuation of Council Dwellings, Other land and buildings and Investment Property

Financial statement impact

Misstatements that occur in relation to the risk of valuation of Council Dwellings, Other and buildings and Investment Property affect multiple balances and disclosures throughout the financial statements

The fair value of Council Dwellings, Other and Buildings and Investment Properties represent significant balances in the Council's accounts, totalling £165,6m, £17,8m and £8,3m respectively at 31 March 2021.

What is the risk?

The valuation of Property, Plant and Equipment (specifically other land and buildings) and Investment Property represent significant balances in the Council's accounts.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The valuation process is subject to a number of assumptions and judgements, which if inappropriate could result in a material impact on the financial statements.

The Council has also changed the expert used to value the assets for the year ended 31 March 2021 from an internal valuer to Howkins and Harrison and Bridge House, which adds further risk that the assumptions used in the valuations may not be appropriate and give risk to material misstatement.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying the estimated valuation.

What will we do?

We will:

- ▶ Document our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation;
- ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct;
- ▶ Engage internal EY valuation specialists to review the approach of the Council valuer, consider assumptions underpinning the valuation and to provide expected valuations for a sample of assets valued during the year;
- ▶ Test accounting entries have been correctly processed in the financial statements;
- ▶ Review the classification of assets and ensure the correct valuation methodology has been applied; and
- ▶ Consider management's review of and test the risk of material misstatement in relation to those assets not revalued in year.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Accounting for Covid-19 grant income

Given the revenue recognition criteria of Agent vs Principal is challenging, we consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on:

- ▶ The recognition and treatment of additional grants received in year for Covid-19. The Council has received a number of grants in 2020/21 as a result of the pandemic and there is a risk that the accounting treatment of these grants will not appropriately reflect the underlying terms and conditions of the grant agreement.

The Council received COVID- 19 funding amounting to £2.5m in 2020/21 (Principal). In addition in 2020-21 the government granted business rates relief to retail, hospitality and leisure services and compensated Councils for these reliefs with a Section 31 Grant of £19.5m (Agent)

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Reviewing and discussing with management any accounting estimates or judgements on income recognition for evidence of bias;
- ▶ Performing overall analytical review procedures to identify any unusual movements or trends for further investigation;
- ▶ Undertaking a monthly trend analysis using our data analytics tools to identify any unusual movements in balances for further analysis and testing;
- ▶ Sample testing the revenue and capital Covid-19 grants received by the Council to ensure the accounting treatment and recognition applied to grant income is appropriate.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Warwickshire County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this net liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary.</p> <p>The accounting entries relating to the Local Government Pension Schemes are underpinned by assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Authority total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying these estimates.</p>	<p>We will:</p> <ul style="list-style-type: none">▶ Liaise with the auditors of Warwickshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council and their work over the valuation of the pension fund's assets;▶ Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;▶ Consider the reasonableness of the actuary's estimate of the asset returns applied in rolling forward the asset position from the prior year; and▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Going Concern Compliance with ISA 570

This auditing standard has been 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 after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the North Warwickshire Borough Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the North Warwickshire Borough Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Executive Board.

In order to perform our work under the revised ISA, we will require a robust assessment from management of the financial position and going concern basis of the Authority, which clearly sets out and evidences the key risks, mitigations and assumptions that underpin that assessment.

What will we do?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect.
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

Other areas of audit focus (continued)

Auditing accounting estimates

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.

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

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.

We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.

We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.

You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.

We may ask for new or changed management representations compared to prior years.



03

Value for Money Risks





Value for Money

Trust responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

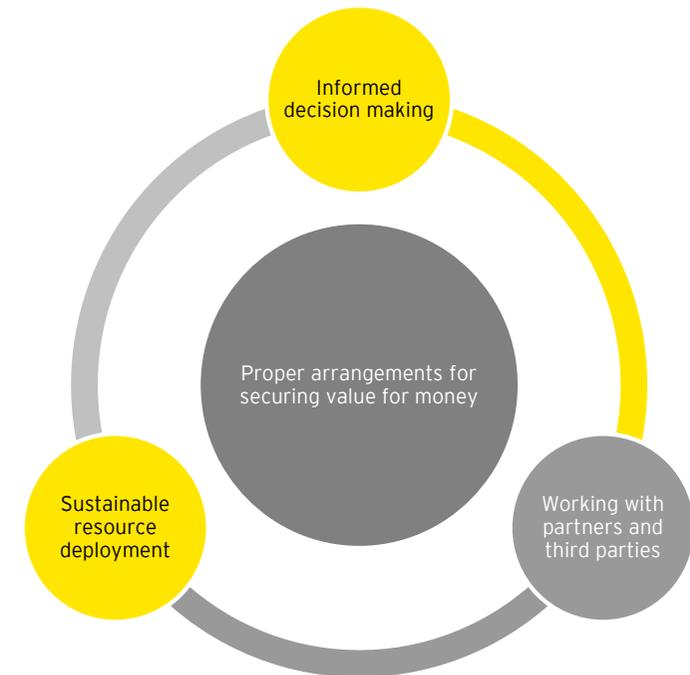
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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





Value for Money

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2020 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as CQC) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Executive Board.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have recently started our VFM assessment. In line with the 2020 Code, we will inform the Executive Board if we identify any significant weaknesses in the Council's arrangements.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £1,01m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. It is set at 2% due to the fact that this is a public entity and profit is not a motive. It is a mature entity, and is subject to a high level of Central Government control. We have provided supplemental information about audit materiality in Appendix C.



We request that the Executive Board confirm its understanding of, and agreement to, these materiality and reporting levels.

** Note the figure for the gross expenditure on provision of services includes Operating Expenditure and Pension Net Interest Cost Less Admin Expense*

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £757k which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Executive Board, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £1k for related party transactions, remuneration disclosures, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Executive Board.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

Audit team



Audit Team

The engagement team is led by Maria Grindley who has significant experience of Local Government accounts.

Maria is supported by Suyash Maharaj who is responsible for the day to day direction of the audit work and is the key point of contact for the Financial Services manager and S151 officer.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Investment Property	EY Valuations Team
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Executive Board and we will discuss them with the Chair of the Executive Board as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Executive Board timetable	Deliverables
Planning: Risk assessment and setting of scopes.	June 2022	Executive Board	Audit Planning Report*
Interim audit testing Walkthrough of key systems and processes	June 2022		
Year end audit	July 22 - current 2023		
Audit Completion procedures	July 2023	Executive Board	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting	July 2023	Executive Board	Annual Audit Letter

* Audit Planning Report presented in January 2023 due to late running and conclusion of the 19/20 audit.



08

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee - Code work	32,618	32,618	32,618
Scale fee Variation (additional procedures carried out over our scope of work)	TBC - note 1	TBC - note 1	52,528
Total fees	TBC	TBC	85,146

All fees exclude VAT

Note 1:

Whilst we will be unable to quantify the scale fee variation required until our work concludes, there are various areas of the 20/21 audit which we know will give rise to a scale fee variation, as follows:

- ▶ The results of our planning procedures has identified areas where audit work will be required over and above the level of the fee previously set which also correspond to the risks set out in our audit plan. The identified areas are:
 - ▶ PPE valuations - additional risk due to change in valuers and use of specialists;
 - ▶ Grant received in regards of Covid 19;
 - ▶ Additional fraud risks identified as set out earlier in the report;
 - ▶ Value for Money - The 2020 Code has changed the scope of the value for money assessment and work required; and
 - ▶ Change in auditing standards for going concern and estimates which involve additional audit procedures to be undertaken.
- Delays in the receipt of audit evidence

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Executive Board

We have detailed the communications that we must provide to the Executive Board.

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Executive Board of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report	
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit results report	
Certification work	Summary of certification work undertaken	Certification Report	

Appendix B

Required communications with the Executive Board (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Executive Board to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report

Appendix B

Required communications with the Executive Board (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report and Audit Results Report	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report	
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Executive Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Executive Board may be aware of 	Audit results report	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Management letter/audit results report	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Executive Board reporting appropriately addresses matters communicated by us to the Executive Board and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

**North Warwickshire
Borough Council
Audit results report**

Year ended 31 March 2021

13 November 2023



Building a better
working world



Private and Confidential

13 November 2023

Executive Board
North Warwickshire Borough Council
Council House
South Street
Atherstone CV9 1DE

Dear Executive Board Members

2020/21 Final Audit Results Report

We are pleased to attach our final audit results report. This report summarises our audit conclusion in relation to the audit of North Warwickshire Borough Council for 2020/21.

Our audit is substantially complete and we plan to issue an unqualified audit opinion on the financial statements in the form at section 3 of this report.

We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. We plan to issue our Auditor's Annual Report containing our vfm commentary within three months of issuing our audit opinion.

This report is intended solely for the information and use of the Executive Board, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Executive Board meeting on 27 November 2023.

Yours faithfully

Maria Grindley

Partner
For and on behalf of Ernst & Young LLP

Contents

01 Executive summary

02 Areas of audit focus

03 Audit report

04 Audit differences

05 Value for money



06 Other reporting issues

07 Assessment of control environment

08 Data analytics

09 Independence

10 Appendices

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.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Executive Board and management of North Warwickshire Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Executive Board, and management of North Warwickshire 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 Executive Board and management of North Warwickshire 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.



01 Executive summary

Executive summary

Scope update

In our audit planning report we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

During the pandemic we identified an increased risk across our audits around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Status of the audit

Our audit is substantially complete and we set out below the final steps that need to be completed before issue of our audit report. We have performed the procedures outlined in our Audit planning report and once the final steps have been completed we will issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. It should be noted that we cannot formally conclude the audit and issue an audit certificate until we have completed our VFM commentary and issued our Annual Auditors Report.

The NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts and we intend issuing the Auditors Annual Report well within that timeframe.

The final tasks to be completed are:

- Receipt and review of the updated IAS19 report which takes account of the Pension Fund 2020/21 Triennial Review;
- Completion of final Manager and Partner review and sign off on file;
- Final review of the updated financial statements;
- Completion of our subsequent events enquiries (at the date of our opinion);
- Receipt of the signed Letter of Representation and the approved and signed financial statements (at the date of the opinion);
- Final Partner review of the above and sign off of our file (at the date of the opinion).

Audit differences

We have agreed a number of minor disclosure amendments with management which have no impact on the financial results reported for the year.

We have also identified 3 uncorrected misstatements relating to the valuation of Property, Plant and Equipment and Investment Property as follows:

- Misstatement 1: Factual Overstatement of Investment property - £ 390k
- Misstatement 2: Projected Overstatement of PPE - £ 708k
- Misstatement 3: Projected Understatement of PPE - (£404k)

Management has chosen to not correct these. The rationale behind this decision should be included in the Letter of Representation signed and submitted by the s151 officer and also by the Chair of the Executive Board representing those charged with governance. Section 04 of this report sets out the audit differences in detail arising from our audit.

Executive summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. We have set out our observations at section 7 of the report.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified 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; 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.

Status of the audit - Value for Money

In the Audit Plan, we reported that we have not completed yet our value for money (VFM) risk assessment against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have now completed our value for money procedures and based on our work, we have reported no exceptions in our audit report in relation to the value for money arrangements during the 2020/21 year.

We plan to issue the VFM commentary in our Auditor's Annual Report, the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts, we intend to issue our report well within this timeframe.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have concluded on our WGA procedures and subject to review, there are no matters to report.

Audit delays, working papers and responses to audit

The audit has been delayed for a number of reasons and there were issues with working papers and responses to audit due to Council staff capacity. We have set out more detail in Section 6.

We are pleased that we have managed to work through these issues with the Council, however they have resulted in significant additional audit work and we recommend that the Council ensures that it has sufficient resource in place to respond to future audits.

Independence

Please refer to Section 9 for our update on Independence.



02

Areas of audit focus



Areas of audit focus

Fraud risk

Misstatements due to fraud and error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 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 specific fraud risks in our planning. We continued to update our risk assessment throughout our audit. We have no additional specific fraud risks to report.

What judgements are we focused on?

We focused on testing key areas that are susceptible to management bias.

What did we do?

We performed the following procedures:

- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud; and
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures regardless of specifically identified fraud risks:

- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Assessed accounting estimates for evidence of management bias; and,
- ▶ Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

We have now concluded on our audit procedures over misstatements due to fraud and error and:

- We have not identified any material weaknesses in controls or evidence of material management override; and
- We have not identified any instances of inappropriate judgements being applied.

Our testing of journals found the items in our risk based sample to be appropriately supported and entered into the general ledger.

Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.





Areas of audit focus

Fraud risk (continued)

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. 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.

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

In addition there is a risk where transfers between the HRA and General Fund result in incorrect treatment of HRA revenue expenditure.

Therefore, for North Warwickshire Borough Council, we consider this risk to be present in:

- Additions to property, plant and equipment; and,
- Inappropriate transfers between the Housing Revenue Account (HRA) and the General Fund.

What judgements are we focused on?

We consider that the risk impacts on the following account balances:

- ▶ Improper capitalisation of revenue expenditure in order to reduce the impact on the general fund.

What did we do?

We performed the following procedures:

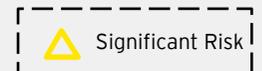
- ▶ Sample tested additions to Property, Plant and Equipment to ensure they have been correctly classified as capital and included at their correct values and to identify any revenue items that have been inappropriately capitalised
- ▶ Tested the transfer between the HRA and General Fund to ensure such transfers are appropriate

What are our conclusions?

We have now concluded on our audit procedures and:

- Our testing has not identified any additions which have been inappropriately capitalised;
- Our testing did not identify any inappropriate transfers between the HRA and General Fund.

There are no other matters to report





Areas of audit focus

Significant risk

Valuation of Council Dwellings, Other land and buildings and Investment Property

What is the risk?

The valuation of Property, Plant and Equipment (specifically other land and buildings) and Investment Property represent significant balances in the Council's accounts.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The valuation process is subject to a number of assumptions and judgements, which if inappropriate could result in a material impact on the financial statements.

The Council has also changed the expert used to value the assets for the year ended 31 March 2021 from an internal valuer to Howkins and Harrison and Bridge House, which adds further risk that the transition to a new valuer may result in key changes to assumptions used in the valuations giving rise to risk of material misstatement.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying the estimated valuation.

What judgements are we focused on?

Our work on valuations focused on assessing the reasonableness of the methodologies adopted by the Council's valuers in undertaking their valuations in 2020/21 and of the key assumptions input into these valuations. We have also considered those assets that were not valued in 2020/21 and the potential for material misstatement in the valuation of those assets.

What did we do?

We have performed the following procedures:

- ▶ Reviewed the valuations performed by the internal valuers;
- ▶ Instructed our EY Real Estate to review the valuation provided by the internal valuers;
- ▶ Tested that the accounting entries have been correctly processed in the financial statements;
- ▶ Reviewed the classification of assets and ensure the correct valuation methodology has been applied;
- ▶ Considered management's review of, and tested the risk of material misstatement in relation to, those assets not revalued in year; and
- ▶ Sample tested key asset information used by the valuer in performing their valuation.



What are our conclusions?

Based on our procedures, we have identified the following errors:

- Factual misstatement - £390k overstatement of investment properties;
- Projected misstatement 1 - £708k overstatement of Property, Plan and Equipment; and
- Projected misstatement 2 - (£404k) understatement of Property, Plant and Equipment

The net effect of the above two projected misstatements is £304k.

Management have indicated that the differences above are not material to the users of the financial statements and will not be making an adjustment for these given they are estimates. We have included this on our schedule of uncorrected misstatements. Further detail on this can be found within section 4 of this report.

We have assessed the impact on the overall audit and have concluded that this does not have a material impact on the audit opinion.



Areas of audit focus

Other risk

Accounting for Covid-19 grant income

What is the risk?

The Council received a number of grants in 2020/21 as a result of the pandemic and there is a risk that the accounting treatment of these grants will not appropriately reflect the underlying terms and conditions of the grant agreement.

Given the revenue recognition criteria of Agent vs Principal is challenging, we consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on:

- ▶ The recognition and treatment of additional grants received in year for Covid-19.

What judgements are we focused on?

We consider that the risk impacts on the following account :

- ▶ Inappropriate recognition of Covid-19 grant income by not appropriately applying the agent vs Principal principle;
- ▶ The Council received COVID- 19 funding amounting to £2.5m in 2020/21 (Principal). In addition in 2020-21 the government granted business rates relief to retail, hospitality and leisure services and compensated Councils for these reliefs with a Section 31 Grant of £19.5m (Agent).

What did we do?

We performed the following procedures:

- ▶ Reviewed and discussed with management the judgements applied in their income recognition for evidence of any bias;
- ▶ Performed analytical reviews over the data to identify whether there are any unusual movements or trends or monthly trends worth investigating;
- ▶ Performed monthly trend analysis using our data analytic tools to identify any unusual balances; and
- ▶ Sample tested the revenue and capital Covid-19 grants received by the Council to ensure the accounting treatment and recognition applied to grant income is appropriate.

What are our conclusions?

We have concluded our work in this area and we can conclude that:

- Our testing has not identified any inappropriate treatment and recognition of Covid-19 grant income;
- Our testing did not identify any unusual trends or movements that warranted further investigation;
- Our testing did not identify any bias in managements estimates.

There are no other matters to communicate.



Areas of audit focus

Other risk (continued)

Accounting for pension liability

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Worcestershire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £43.759 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. 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.

The Triennial Valuation has been reported and therefore the impact of this on the IAS19 estimate at 31 March 2021 forms additional information to be considered as part of our review on pension liability.

What judgements are we focused on?

We consider that the risk impacts on the following account balances:

- ▶ Incorrect estimation of liabilities of the fund;
- ▶ Incorrect estimation of the asset balances of the pension fund allocated to the Council; and
- ▶ Improper application of the pension estimate adjustments to the yearend financial statements.

What did we do?

We have performed the following procedures:

- ▶ Liaised with the auditors of Warwickshire County Council Pension Fund to obtain assurances over the information supplied to the actuary in relation to North Warwickshire Borough Council;
- ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC (Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors) and considered any relevant reviews by the EY actuarial team;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19;
- ▶ Determined if decisions made by management are appropriate and if there is a material impact on the pension liabilities and disclosures;

What are our conclusions?

We are yet to conclude on our procedures in respect of Pension. This is highlighted again in Appendix B of this report, however please see below summary:

- Due to latest triennial valuation, we are required to undertake additional procedures over the impact of this valuation over the IAS 19 estimate as at 31 March 2021. As at the date of this report, we are yet to perform our analysis to conclude our work on pensions.

We will only be able to conclude once the above procedures have been performed.



Areas of audit focus

Other risk (continued)

Going concern

What is the risk?

The auditing standard ISA570 has been 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 after. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Executive Board.

The CIPFA Guidance Notes for Practitioners 2020/21 accounts states ‘The concept of a going concern assumes that an authority’s functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

‘If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.’

What did we do?

We have performed the following procedures:

- ▶ Challenged management’s identification of events or conditions impacting going concern, tested management’s resulting assessment of going concern and evaluated supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ Challenge management’s assessment of going concern, thoroughly tested the adequacy of the supporting evidence obtained and evaluated the risk of management bias, based on our knowledge of the Authority obtained through our audit;
- ▶ Ensured that management has complied with any updated reporting requirements;
- ▶ Considered all of the evidence obtained, whether corroborative or contradictory, in order to draw our conclusions on going concern; and
- ▶ Made necessary considerations regarding the appropriateness of the financial statement disclosures around going concern.

What are our conclusions?

We agree with management’s assessment that the Council remains a going concern, and the disclosures appropriately present that assessment and the risks and assumptions management have considered.

We are also satisfied with the disclosures included in the financial statements in relation to the basis of preparation of the accounts.

The Council’s provided cash flow projections to the end of November 2024, demonstrate that the Council forecasts continued liquidity beyond the period of our assessment.



Areas of audit focus

Other risk (continued)

Compliance with Accounting Estimates and Related Disclosures ISA540

What is the risk?

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.

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

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk.

What did we do?

We have performed the following procedures:

- ▶ Placed more emphasis on obtaining an understanding of the nature and extent of managements estimation processes and key aspects of related policies and procedures;
- ▶ Reviewed whether controls over these processes have been adequately designed and implemented in a greater number of cases;
- ▶ Provided increased challenge of aspects of how you derive managements accounting estimates. For example considering both supportive and contradictory evidence;
- ▶ Made more focused requests for evidence and carried out more targeted procedures relating to components of accounting estimates, including regarding the methods or models used, assumptions and data chosen and how disclosures (for instance on the level of uncertainty in an estimate) have been made;
- ▶ Asked for new or changed management representations compared to prior years;
- ▶ Utilised management specialists as appropriate in order to form our own estimate to determine whether management's estimates are reasonable; and
- ▶ Reperformed calculations to assess appropriateness and tested amounts to subsequent third party support when received, e.g. post year-end invoices for accruals testing.

What are our conclusions?

Pending the outstanding work on pensions (as highlighted further in Appendix B of this report), we have now concluded our work on the following estimates: PPE, Investment property, and Provisions. Based on the procedures we did not identify any issues in the area of Provisions however we did identify the following issues on PPE and Investment property:

- Factual misstatement - £390k overstatement of investment properties
- Projected misstatement 1 - £708k overstatement of Property, Plan and Equipment; and
- Projected misstatement 2 - (£404k) understatement of Property, Plant and Equipment

Management have indicated that the differences above are not material to the users of the financial statements and will not be making an adjustment for these given they are estimates. We have included this on our schedule of uncorrected misstatements. Further detail on this can be found within section 4 of this report.



03 Audit report



Audit report

Draft audit report

Our proposed opinion on the financial statements

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH WARWICKSHIRE BOROUGH COUNCIL

Draft Opinion

We have audited the financial statements of North Warwickshire Borough Council ('the Council') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- the related notes 1 to 43;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 15;
- Collection Fund and the related notes 1 and 2.

The financial reporting framework that has been applied in their preparation is applicable law and 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).

In our opinion the financial statements:

- give a true and fair view of the financial position of North Warwickshire Borough Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.



Audit report

Draft audit report (continued)

Our proposed opinion on the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director - Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director - Resource with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's 's ability to continue as a going concern.

Other information

The other information comprises the information included in the narrative report set out on pages 2 to 11, other than the financial statements and our auditor's report thereon. The Corporate Director - Resources is responsible for the other information contained within the narrative report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Audit report

Draft audit report (continued)

Our proposed opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Corporate Director - Resources

As explained more fully in the Statement of the Corporate Director - Resources Responsibilities set out on page 11, the Corporate Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in 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), and for being satisfied that they give a true and fair view and for such internal control as the Corporate Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director - Resources is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Audit report

Draft audit report (continued)

Our proposed opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020 and 2021,
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

Draft audit report (continued)

Our proposed opinion on the financial statements

We understood how North Warwickshire Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Council's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the North Warwickshire Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the North Warwickshire Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.



Audit report

Draft audit report (continued)

Our proposed opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the North Warwickshire Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts 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.

Use of our report

This report is made solely to the members of North Warwickshire Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley
Ernst & Young LLP
Reading
Date: TBC



04 Audit differences



Audit differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We did not identify any misstatements above our threshold of £50,000 and therefore aside from the smaller disclosure amendments that have been corrected there are no other corrected misstatements to report.

Disclosure amendments

We identified a few disclosure differences during the course of our audit procedures which were agreed by management to be corrected in the final statement of accounts

Summary of unadjusted differences

In addition, we highlight the following misstatements to the financial statements which were not corrected by management. We request that the uncorrected misstatements in the table on the next page be corrected or a rationale as to why they are not corrected be considered and approved by the Executive Board and provided within the Letter of Representation.

The differences below relate to the difference in opinion in the formation of the point estimate relating to the valuation of a sample of Property, Plant and Equipment and Investment property between management’s valuer and the EY real estate specialist team. The differences arise due to the following differences in assumptions:

- Misstatement 1: Overstatement of Investment property - Management’s specialist valued this property on basis of future planning to be expected. However there was a change of plans in the future purpose of this property and as a result, the property was over valued.
- Misstatement 2: Overstatement of PPE - Management’s specialist valued this property using an obsolescence rate much lower than what our EY specialist team found reasonable. Given that this had been identified on other properties within the population, we have projected this misstatement and can be seen on the following page.
- Misstatement 3: Understatement of PPE - Management’s specialist valued this property with the belief that no professional fees and rates be included within the calculation whereas the EY specialist team found that on average £330 - £413 per sqm should have been accounted for. Given that this had been identified on other properties within the population, we have projected this misstatement over the population and this can be seen on the following page.



Audit differences

Communication schedule for uncorrected misstatements

Entity: North Warwickshire Borough Council

Period Ended: 31-Mar-2021

Currency: GBP

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period		
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable		
Factual misstatements:												
1		Overstatement of Investment Property - Difference in valuer between Internal Specialist and Management's specialist										
	Cr	Investment Property		(390,000)								
	Dr	Usable reserves							390,000			
		21 NWBC EY Review of EYRE Memo										
Projected misstatements:												
2		Overstatement of Other Property, Plant and Equipment - Difference in valuer between Internal Specialist and Management's specialist										
	Cr	Other Property, Plant and Equipment		(707,847)								
	Dr	Revaluation Reserve					707,847					
		21 NWBC EY Review of EYRE Memo										
3		Understatement of Other Property, Plant and Equipment - Difference in valuer between Internal Specialist and Management's specialist										
	Dr	Other Property, Plant and Equipment		404,163								
	Cr	Revaluation Reserve					(404,163)					
		21 NWBC EY Review of EYRE Memo										
Total of uncorrected misstatements before income tax			0	(693,684)	0	0	303,684	0	390,000		0	
Total of uncorrected misstatements			0	(693,684)	0	0	303,684	0	390,000		0	
Financial statement amounts			36,546,000	197,693,000	(19,081,000)	(81,323,000)	(133,855,000)		(3,109,000)		0	
Effect of uncorrected misstatements on F/S amounts			0.0%	-0.4%	0.0%	0.0%	-0.2%		-12.5%		0.0%	
Memo: Total of non-taxable items (marked 'X' above)									0		0	
Uncorrected misstatements before income tax								-12.5%	390,000		0	
Less: Tax effect of misstatements at current year marginal rate								0%	0		0	
Uncorrected misstatements in income tax									0		0	
Cumulative effect of uncorrected misstatements after tax but before turnaround								-12.5%	390,000		0	
Turnaround effect of prior period uncorrected misstatements												
All factual and projected misstatements:									0		0	
Judgmental misstatements (Note 3):									0		0	
Cumulative effect of uncorrected misstatements, after turnaround effect								-12.5%	390,000			
Current year income before tax									(3,109,000)			
Current year income after tax									(3,109,000)			



05

Value for money



Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

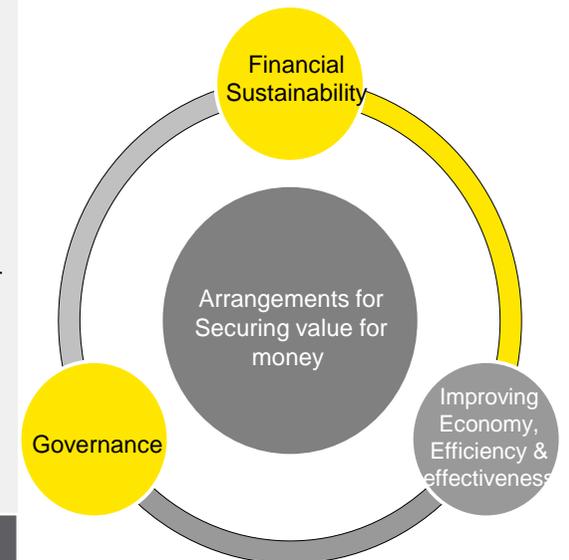
- **Financial sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** How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

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 3) and have not identified any matters to report by exception.

We did not identify any risks of significant weaknesses in arrangements as part of our planning or any weaknesses in arrangements as a result of our audit procedures.

We plan to issue the VFM commentary within the Auditor's Annual Report. The NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts and we intend issuing the Auditors Annual Report well within that time frame.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

We have concluded the work in this area and have no matters to report to you.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. To date, we have not identified any matters requiring a written recommendation.

Other reporting issues (continued)

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations;

There are no matters to report to you in respect of the above areas other than as included in the body of the report.

Audit delays, working papers and responses to audit

The 2020/21 financial statements audit was significantly delayed due to a number of factors:

- The knock on effect of significant delays in the previous year's financial statements due to issues with accessing supporting information in some key areas, primarily PPE and IP valuation work. The 2019/20 audit report was issued on 15 March 2022;
- Following the completion of the 2019/20 financial statements audit, we agreed a delivery plan with the Council for the commencement of the 2020/21 financial statements audit, taking into account Council staff availability, this plan was not achieved due to other pressures on Council staff including delayed preparation of the 20/21 set of accounts and final data listings;
- There were a number of areas where the information provided was not what was needed, in order to test items within the financial statements we need to be able to see the original source documentation, in a number of cases this was not initially provided, instead we received Council produced spreadsheets which did not provide the assurance needed;
- The documentation supporting the statements did not always tally to the item of account which resulted in a number of further queries to get to a position where the audit trail could be followed;
- There were delays in the receipt of requested documentation compared to the expected and agreed turnaround time which resulted in delays to the audit;
- The s151 officer left the Council during this time and the Council needed time to appoint to this role, it should be noted that there were interim arrangements in place which did help to move the audit along as they put in additional resource on the Council's team to respond to long outstanding audit queries.

We are pleased that we have managed to work through these issues with the Council, however they have resulted in significant additional audit work and also delays, we recommend that the Council ensures that it has sufficient resource in place to respond to future audits.



07

Assessment of control environment



Assessment of control environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. 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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08 Data Analytics



Data analytics

Analytics Driven Audit

What is the risk?

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis using General Ledger Data

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the general ledger data and perform completeness analysis over the data, including reconciling the total amount to the General Ledger Trial Balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



09

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm that none of the services listed in the audit fee table have been provided on a contingent fee basis.

As at the date of this report, we can confirm that we have been contracted by North Warwickshire Borough Council to perform agreed upon procedures engagements on the Council's Pooling of Housing Capital Receipts return for the year 2019/20 with a proposal to complete this work for each year to 2022/23.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020.

Confirmation and analysis of Audit fees cont.

	Planned fee 2020/21 (£)	Final Fee 2019/20 (£)
	Note 2	Note 1
Total Fee - Code work	32,618	32,618
Scale fee variation	TBC	52,528
Total Fee - Audit work	TBC	85,146
Pooling of Housing Capital Receipts engagement	9,500	9,500
Total fees	TBC	94,146

**All fees exclude VAT*

Note 1 - For 2019/20, the additional fees were determined by the PSAA Ltd.

Note 2 - The proposed additional fees for 2020/21 comprise:

- Fees to address the changes in work required to meet changes professional and regulatory requirements and the scope associated with risk profile of the Council since the scale fee was originally set by the PSAA.
- Additional procedures to consider the estimation risk in the valuation of Pension Fund assets disclosed in the Council financial statement.
- Additional fees due to delays in provision of audit evidence in the format needed to support an efficient audit process.
- Additional procedures to audit property, plant and equipment valuations including the engagement of EY Real Estate experts to assess the impact of land and building valuations.
- Additional procedures to consider the Council's going concern assessment.
- Additional procedures relating to assessing the recognition of Covid 19 grants accounting.
- Additional procedures to consider the Council's arrangements for securing Value for Money

We will discuss the additional fees for the 2020/21 audit with management and will provide an update once this process has been finalised. The fees will also be subject to approval and determination by the PSAA.

We confirm that none of the services listed in the above have been provided on a contingent fee basis. As at the date of this report we have been engaged by the Council to perform an agreed upon procedures engagement over the Council's Pooling of Housing Capital Receipts return for the 19/20 year. Based on discussions, this engagement will likely to continue until the 22/23 engagement is completed.

Other communications

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year October 2022:

[EY UK 2022 Transparency Report | EY UK](#)



10 Appendices

Appendix A

Required communications with the Executive Board

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Executive Board of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Executive Board where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Executive Board to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Executive Board responsibility. 	Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report</p> <p>Audit results report</p>

Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Executive Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Executive Board may be aware of 	Audit results report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Completion of audit procedures over IAS 19 - assessment of Triennial valuation over the IAS 19 Estimate	EY to complete assessment	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Executive Board
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and Management

The following items relate to areas which are yet to be reviewed by EY and may be subject to further queries or variances

Area	Area
IAS 19 Pension Procedures	WGA procedures

Management representation letter

Management Rep Letter

(To be prepared on the entity's letterhead)

(Date)

Maria Grindley

Ernst & Young

R+ Building

2 Blagrove Street

Reading RG1 1AZ

This letter of representations is provided in connection with your audit of the financial statements of North Warwickshire Borough Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of North Warwickshire Borough Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with 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 understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and 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)).

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council 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)), and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

Management representation letter (continued)

Management Rep Letter

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements 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)), that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because specify reasons for not correcting misstatement.
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Management representation letter (continued)

Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date:
 - Full Council - 27 September 2023
 - Executive Board - 18 September 2023
 - Resources Board - 05 September 2023
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with 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)).
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

Management representation letter (continued)

Management Rep Letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate all liability related litigation and claims, both actual and contingent, and confirm that we have given no guarantees to third parties.

E. Going Concern

1. Note 41 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Council, and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of 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)), aligned with the statements we have made in the other information or other public communications made by us.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Management representation letter (continued)

Management Rep Letter

J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of other Property, Plant and Equipment (land and buildings) and Investment property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

We identified the following estimates as higher risk:

- Property, Plant and Equipment and Investment Property Valuations
 - IAS 19 pension valuation
 - NNDR appeals provision
1. We confirm that the significant judgments made in making the estimates listed above have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
 2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates listed above.
 3. We confirm that the significant assumptions used in making the estimates listed above appropriately reflect our intent and ability to carry out procedures on behalf of the entity.

Management representation letter (continued)

Management Rep Letter

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the Council, are complete and are reasonable in the context of 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)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates listed above.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Corporate Director: Resources)

(Chairman of the Executive Board)

Management representation letter (continued)

Management Rep Letter

Appendix 1: Schedule of uncorrected misstatements:

During your audit, there were three uncorrected misstatements relating to the following;

- Overstatement of Investment Property - Difference in value between Internal Specialist and Management's specialist
- Overstatement of Other Property, Plant and Equipment - Difference in value between Internal Specialist and Management's specialist
- Understatement of Other Property, Plant and Equipment - Difference in value between Internal Specialist and Management's specialist

Summary of uncorrected misstatements															
Entity:		North Warwickshire Borough Council		Period Ended:		31-Mar-2021		Currency:		GBP		SAD consultation limit:		757,440	
				PM:		1,009,920		TE:		757,440		Nominal amount:		50,000	
No.	W/P ref.	Account (Note 1) <small>(misstatements are recorded as journal entries with a description)</small>	Analysis of misstatements Debit/(Credit)						Effect on the current period OCI		Income statement effect of the current period		Income statement effect of the prior period		
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable		
Factual misstatements:															
1		Overstatement of Investment Property - Difference in value between Internal Specialist and Management's specialist													
	Cr	Investment Property		(390,000)											
	Dr	Usable reserves										390,000			
		21 NWBC EY Review of EYRE Memo													
Projected misstatements:															
2		Overstatement of Other Property, Plant and Equipment - Difference in value between Internal Specialist and Management's specialist													
	Cr	Other Property, Plant and Equipment		(707,847)											
	Dr	Revaluation Reserve						707,847							
		21 NWBC EY Review of EYRE Memo													
3		Understatement of Other Property, Plant and Equipment - Difference in value between Internal Specialist and Management's specialist													
	Dr	Other Property, Plant and Equipment		404,163											
	Cr	Revaluation Reserve						(404,163)							
		21 NWBC EY Review of EYRE Memo													
Total of uncorrected misstatements before income tax			0	(693,684)	0	0	303,684	0	390,000	0	390,000	0	0	0	0
Total of uncorrected misstatements			0	(693,684)	0	0	303,684	0	390,000	0	390,000	0	0	0	0
Financial statement amounts			36,546,000	197,893,000	(19,061,000)	(81,323,000)	(133,855,000)		(3,109,000)		0				
Effect of uncorrected misstatements on F/S amounts			0.0%	-0.4%	0.0%	0.0%	0.0%	-0.2%			-12.5%			0.0%	
Memo: Total of non-taxable items (marked 'X' above)															
Uncorrected misstatements before income tax										-12.5%	390,000				
Less: Tax effect of misstatements at current year marginal rate										0%	0				
Uncorrected misstatements in income tax											0				
Cumulative effect of uncorrected misstatements after tax but before turnaround										-12.5%	390,000				
Turnaround effect of prior period uncorrected misstatements											0				
All factual and projected misstatements: Judgmental misstatements (Note 3):											0				
Cumulative effect of uncorrected misstatements, after turnaround effect										-12.5%	390,000				
Current year income before tax											(3,109,000)				

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