

Addendum to the Audit Plan

Year ended 31 March 2021

West Lancashire Borough Council
August 2022



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Introduction

Purpose

This document provides an update to the Audit Plan for West Lancashire Borough Council (the Council) for 2020/21 for those charged with governance.

Initial Audit Plan

Our initial Audit Plan for 2020/21 was presented to the 28 July 2021 Audit and Governance Committee.

The Plan included the scope of the work we conduct to form and express an opinion on the arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources – our Value for Money (VfM) work.

As part of our planning of the VfM work, we are required to report to you any risks requiring audit consideration and the procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

In July 2021 we reported two risks where additional audit work was required for:

- Financial Resilience. We will consider your arrangements in setting, monitoring and reporting your budget.
- Tawd Valley Developments Limited. We will consider your governance arrangements with the company, as well as the oversight by the Council of the company's business plans and outcomes.

Update of VfM significant risks

Since our initial plan was presented, we have identified an additional two significant risks requiring audit consideration in relation to VfM:

- Late production and poor quality of the financial statements. We will consider your arrangements in place for the preparation of the financial statements including the response to the audit process.
- Procurement. We will review the arrangements the Council has in place to ensure appropriate procurement procedures are followed.

The detail is set out on page 4.

Impact on the fee for 2020/21

The addition of another two significant risk areas will involve more audit work, and will result in additional audit fee. We will provide an update in our regular reporting to the Audit and Governance Committee, as the audit work is in the commencement stage.

Risks of significant VFM weaknesses

Our initial Audit Plan from July 2021 noted two significant risks, as detailed on page 3. We have identified a further two additional risks outlined below.

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table overleaf.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



Late production and poor quality of the financial statements

The deadline for the production of the financial statements for the 2020/21 financial year was 31 July 2021, with the audit to be completed by 30 November 2021.

We only received a set of financial statements to audit in November 2021, therefore the deadline for audit could not be met. We were progressing the financial statements audit, but were unable to secure improvements in the timeliness of responses to both audit queries and requests for working papers. We therefore paused the audit in March 2022.

We expected to return to the audit in July 2022 but the Council were not in a position to restart, and we will return when a new draft of the financial statements has been completed by the Council including the inclusion of group accounts.

We will consider your arrangements in place for the preparation of the financial statements including the response to the audit process.



Procurement

A recent Internal Audit report relating to the procurement of a works contract provided a nil assurance scoring. A detailed Management Action Plan has been agreed by the Council. The findings were similar to an Internal Audit review from 2018 that focussed on the procurement of another contract.

We will review the arrangements the Council has in place to ensure appropriate procurement procedures are followed.

Risks of significant VFM weaknesses

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

