The Audit Findings for West Lancashire Borough Council

Year ended 31 March 2021

January 2024

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Governance Committee.

Georgia Jones

Name : Georgia Jones
For Grant Thornton UK LLP
Date January 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Lancashire Borough Council ('the Council') and the preparation of the group's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and the Narrative Report,) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

This Audit Findings Report summarises the progress and work carried out to date for the 2020/21 audit. Although the audit is now complete other than some finalisation procedures and review of the final version of the accounts to ensure inclusion of all agreed amendments, this has been a challenging engagement with a significant amount of additional audit resource required.

We received the first draft of the financial statements for 2020/21 to audit in November 2021. The deadline for audit for the 2020/21 financial statements was 30 November 2021, therefore the deadline was not going to be met.

In 2019/20 the audit opinion was only issued in June 2021, when the audit deadline was November 2020. The reasons for the delay were largely due to the lack of quality assurance processes, significant delays in responding to audit queries for samples and working papers and a lack of co-operation in the audit process.

The same issues continued into 2020/21 and the first draft of the financial statements from November 2021 contained errors and inconsistences. Among the issues raised by audit, the most significant were:

- Group accounts were not included when it was expected that group accounts would need to be incorporated
- There were no revaluations of other land and buildings despite significant market movements since the precious financial year

We started our audit work as soon as we received the draft financial statements in November 2021. We were progressing the financial statements audit, but we 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 issued the Council with a listing of outstanding requests and expected to resume the audit at the start of July 2022. Discussions with officers in July 2022 determined that the Council was not able to restart the audit as work was still ongoing.

Since March 2022, the Council reviewed the accounts compilation process and as a result identified a material prior period adjustment for 2019/20 largely due to the incorrect accounting of a grant. Although not material, the Council also took the opportunity to adjust other balances. This has led to significant additional audit work to assess the material and non material changes to the 2019/20 comparators. The Council also identified other issues with the compilation of the 2020/21 financial statements as a result of our audit queries as well as their internal quality review processes. Another version of the financial statements was drafted in June 2022, and a further copy in September 2022. A large proportion of the primary statements and disclosure notes changed when compared to the first version of the draft financial statements. As a result, we have carried out a significant amount of work understanding all the changes from version 1 of the financial statements. We were also required to revisit all our samples and work undertaken to date. This has meant additional time to conduct this work, and in some areas additional samples were required and some work needed to be started again.

Although we have now substantially completed our engagement, procedures over valuation of Investment Property and Other Land and Buildings took significantly more time and resources to perform than anticipated. Turnover of valuation staff within the Council and the use of interim appointments has meant the Council has experienced capacity issues and this, combined with additional work required due to increased regulatory requirements, resulted in significant audit queries only being resolved in April 2023.

We identified a significant weakness in internal control in the management override of controls in the use of an employee login who had left the Council to post two journals. The officer involved has left the Council. We did not find any issues arising with both journals we tested that had been input on the old login, and it has also since been disabled.

Our findings to date are summarised on pages 3 to 27. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

1. Headlines

Financial Statements

Although our work is substantially complete, prior to certifying the accounts we will:

- Obtain and assess management's consideration of Post Balance Sheet Events
- Receive management representation letter and,
- Review the final set of financial statements and review to ensure inclusion of all agreed amendments,

We note that the Council has published their draft financial statements for 2021/22 within the required reporting deadlines. In addition, a lot of the amendments in this report were identified by the Council as part of their improved quality assurance processes when addressing audit queries and when reassessing the financial statements in order to produce a revised version in September 2022. Hopefully the work the Council did to remap and revisit the financial statements in 2020/21 will enable the Council to move the audit forward in a more efficient manner in future years. Changes that the Council have made to the key contact for the audit has led to improved participation in the audit process and the quality and timeliness of responses has improved. As time progresses it makes it increasingly difficult for the Council as well as the audit team to catch up any future years' financial statements to meet expected national audit deadlines.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work and, together with the Audit Findings Report, we present the Annual Audit Report summarising the work on VFM. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our audit plan and audit plan addendum identified four significant risk areas of focus:

- Financial Resilience
- Tawd Valley Developments Limited
- Late production and poor quality of the financial statements
- Procurement.

We have performed further procedures in respect of the risks identified. We identified significant weaknesses in relation to:

- Late production and poor quality of the financial statements
- Management reporting structure of Internal Audit
- Procurement.

Four key recommendations are reported and six improvement recommendations as a result of our work. Our Auditor's Annual Report includes management responses to each of the recommendations.

More detailed findings are set out in the value for money arrangements section of this report on pages 28 to 31.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit when we give our audit opinion.

Significant Matters summary

We have encountered significant delays in the production of the financial statements, and in carrying out the audit. There are numerous changes to the financial statements for 2020/21 as well prior period adjustments.

The Council did not include any other land and buildings revaluations in the draft financial statements or group accounts. Council responses and the documentation of the valuations process requires improvement.

The Council has three significant weakness areas in relation to the work on VFM with four key recommendations made.

The Council has a significant weakness in internal control in the management override of controls in the use of an employee login to post two journals when the employee had left the Council.

The Council has made progress and changes in how the financial statements are compiled and with the engagement in the audit process, and as a result improvements should be gained in the quality of the financial statements and the timeliness of responses for any future year audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- an evaluation of the group's internal controls environment, including its IT systems and controls
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

In August 2022 we issued an addendum to the audit plan that was communicated to the Audit and Governance Committee in July 2021. This was to reflect an additional two risks of significant weakness in relation to our value for money work.

Conclusion

We have substantially completed our audit of the financial statements and we anticipate issuing an unqualified audit opinion.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 28/07/21 for the Council.

We detail in the table our determination of materiality for West Lancashire Borough Council.

On receipt of the financial statements we have determined that there is no separate materiality required for Senior Officer Remuneration, so this is a change compared to our work identified in the Audit Plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1.363m	1.362m	We have determined materiality for the audit to be £1.362m (equivalent to 1.8% of gross operating expenditure) for the Council within the financial year. Our materiality did not change from the Audit Plan. This is in line with the industry standard and reflects the risks associated with the Council's financial performance. Our consideration of materiality is based upon the following: • the group account with the housing development subsidiary company, which increases the complexity of the financial statements • the late delivery of 2019/20 Accounts with concerns over the capacity of the Council's finance team, which increases the potential for errors. The materiality for the group is slightly higher then the Council. This is different for the Group from the value reported in the Audit Plan as we updated our judgement to include the actuals for 2020/21 for the group based on the financial statements we received in September 2022.
Performance materiality	0.955m	0.954m	Performance materiality drives the extent of our testing and this was set at 70% of financial statement materiality. Our consideration of performance materiality is based upon the late delivery of the 2019/20 financial statements caused our concern over the capacity of the Council's finance team, and this may increase the potential of errors in financial reporting.
Trivial matters	0.068m	0.067m	This equates to 5% of materiality. This is our reporting threshold to West Lancashire Borough Council's Audit and Governance Committee for any errors identified.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. A sample of 66 journals were selected using a risk scoring method. From this, 7 journals were selected for focused testing as part of the review. Our work has identified an issue with the management override of controls in respect of the shared use of employee logins. This is a significant deficiency in internal control and management should ensure this cannot occur in future as a lack of control over leavers IT access rights increases the risk of fraud or error. Two journals were posted using a login of an employee who had left the authority, Both were tested and there were no issues arising with the validity of the journals. The employee login had not been closed in a timely manner and for ease, another employee at the Council (they are not at the Council now) had used the login to post two journals. We have raised a recommendation in an Action Plan at Appendix A. We also identified that some staff have super user access and journals can be self approved. This is not necessarily unusual at a smaller body but is considered a control deficiency although not significant.
The revenue cycle includes fraudulent transactions – rebutted Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We have also rebutted the presumption of fraud in expenditure recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Lancashire Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, as the risk of material misstatement arising from inappropriate revenue recognition has a low likelihood of occurrence and is unlikely to be of a size which would be material to the users of the financial statements. As per the Audit Plan, we do not consider this to be a significant risk for the Council and we have not undertaken any specific work in this area other than our normal audit procedures. Our audit work has not identified any issues to report in respect of revenue recognition.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the Council's land and buildings including Council dwellings, and Investment Property The Council carries out a programme that ensures that all Land and Buildings (£27.499m) and Council dwellings (£191.205m) are re-valued at least every 5 years. In between valuations the Council carries out annual reviews to assess whether any adjustment is required based upon desktop valuations. These valuations represent significant estimates by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. In between valuations the Council carried out annual reviews to assess whether any adjustment is required based upon desktop valuations. All investment properties are revalued annually and are valued and reported at fair value under relevant accounting principles. This valuation (£17.22m) represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to the Council's materiality and the sensitivity of this estimate to changes in key assumptions. We therefore identified the valuation of the Council's Land and Buildings including Council dwellings and investment Property balances as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: evaluated the Council's accounting policy for recognition of income from fees, charges and other service income for appropriateness; gained an understanding of the Council's system for accounting for income from fees, charges and other service income and evaluated the design of the associated controls; agreed, on a sample basis amounts recognised as income from fees, charges and other service income for occurrence and accuracy in the financial statements to supporting documentary evidence. We have noted significant and numerous issues in assessing the valuation of Land and Buildings and Investment Property: • the Council did not include any valuations in the draft financial statements and when included this has added £2.209m to non-current assets of the Council • the Council was unable to provide us with the formal instructions issued to the valuer for the valuations undertaken • the impairment certificate provided for 2020/21 was a draft version • the Council's valuer has changed following preparation of the valuations reported in the draft accounts presented for audit. It has therefore been difficult to obtain evidence to support judgements which were not fully documented • for both Investment Properties and Other Land and Buildings the Council struggled to provide sufficient appropriate evidence. We were eventually satisfied that we had sufficient evidence but final queries were only resolved in April 2023 and in some cases we had to try to obtain corroborating evidence from our own sources • due to the lack of uniformity of formatting within the Council's Fixed Asset Register, it has proved difficult to select some sets of samples. • engagement with and evidence provided by the Council's external valuers was insufficient, and we therefore performed additional work and engaged with GT's internal valuers to support the assumptions applied in the calculations of Council Dwellings and Investment Property valuations. • the Property, Plant and Equipment note within the financial statements reports an infrastructure balance of £1.230m. There was no depreciation in year and no cumulative depreciation recognised. Infrastructure was not carried at depreciated historic cost. The adjustment required was not material to the financial statements and management has agreed to amend in line with the CIPFA Code. We will confirm this amendment on our review of the final version of the accounts. • For both Investment Properties and Other Land and Buildings, the Council are unable to provide evidence as to when the properties have last been inspected. The Valuer states that properties are inspected regularly however, there has been no evidence provided to us to support this. • Investment Property was initially valued as at 1 January 2021 rather than 31 March 2021. A subsequent valuation as at 31 March 2021 valuation report was provided. We have raised recommendations in the Action Plan at Appendix A in response to issues identified and all misstatements identified are listed in Appendix C.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£65.836m) in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report • requested assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the Lancashire Pension Fund financial statements. We identified a material misstatement within the Pension disclosures relating to the £4.8m payment in advance of employer contributions for 2021/22 and 2022/23. The relevant notes have been adjusted to appropriately recognise this pension asset. Our audit work has not identified any other issues in respect of the valuation of the pension fund liability.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Group Accounts The Authority have not provided Group Accounts in the past as there were no material entities relevant to incorporate. As the figures for Tawd Valley Development Limited are quantitatively material within the subsidiary accounts, group accounts and associated disclosures would be required by the Council for 2020/21.	We have: • reviewed the Council's assessment of control over its subsidiary. • assessed the Council's consolidation process, alignment of accounting policies and accounting treatment for group accounts. The draft financial statements did not include group accounts, but we received the group accounts and associated disclosures when the Council produced another version of the financial statements in September 2022. As the Audit Plan was based on forecasts, when we received the group accounts in September 2022, the values involved meant that the audit approach required was analytical procedures only. Therefore, we did not need to rely upon the work of a component auditor (i.e. the auditor of the subsidiary). Our audit work has not identified any issues in respect of the consolidation

2. Financial Statements – Key findings arising from the group audit

Component	Findings	Group audit impact
West Lancashire Borough Council	• Statutory audit performed by Grant Thornton UK LLP • Significant risks are those as outlined on pages 8 to 11 of this report and are relevant to the Council audit only. We identified a material misclassification of £1.575m relating to a loan from the Council to the Tawd Valley subsidiary. This has been adjusted in the Council's balance sheet.	All issues arising are already outlined on pages 8 to 11 of this report for the work on the West Lancashire Borough Council's single entity financial statements. No adjustment for the loan misclassification is required as this balance is removed from the group accounts as a consolidation adjustment.
Tawd Valley Developments Limited	• The first draft of the financial statements for 2020/21 did not include group accounts • Analytical procedure are performed at group level to review the consolidated process • There are no significant risks for the group audit other than the identification of group accounts needing to be incorporated for the first time in 2020/21 • Tawd Valley Developments Limited is a wholly owned subsidiary.	The audit work on the consolidation of Tawd Valley Development Limited is complete and we have not identified any issues with respect to the consolidation.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Building valuations – £27.499m	The Council revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Council carries out a desktop revaluation to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The total year end valuation of other land and buildings was £27.499m, a net increase of £1.405m from 2019/20 (£26.094m). As already noted on page 9, the draft financial statements did not include any revaluation of other land and buildings, and as a result of our audit challenge the Council revisited their position.	We performed the following procedures to assess the estimate: • assessment of management's expert, your internal valuer • assessment of our auditor's expert, Gerald Eve • testing of the completeness and accuracy of underlying information used determine the valuation • testing of the reasonableness of change in valuation including benchmarking to market trend reports provided by our auditor expert, Gerald Eve; and • testing of the adequacy of disclosure of the estimate in financial statements • We have reviewed and challenged management's assessment of the potential impact of those assets not being formally revalued this year. We have set out the material misstatements and control weaknesses in relation to this balance on page 9. After considerable work and after the amendments made by the Council, we can now conclude that the estimates in the amended financial statements use reasonable assumptions and input data. All material misstatements have been adjusted and reported in Appendix C.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council Dwelling valuations – £191.205m	The Council revalues its Council Dwellings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Council financial statements is not materially different from the current value at the financial statements date, the Council carries out a desktop revaluation to ensure that there is no material difference and applies valuations where relevant. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The total year end valuation of Council Dwellings was £191.205m, a net increase of £20.287m from 2019/20 (£170.918m). The Council uses an external valuer to provide the valuations in this specialist area.	We performed the work below to assess the estimate: • assessment of management's expert, the external valuer • assessment of our auditor's expert, Gerald Eve • assessment of the completeness and accuracy of underlying information used determine the valuation • assessment of the reasonableness of change in valuation including with market trend report provided by our auditor expert Gerald Eve • the adequacy of disclosure of the estimate in financial statements. We have set out the material misstatements and control weaknesses in relation to this balance on page 9. After considerable work and after the amendments made by the Council, we can now conclude that the estimates in the amended financial statements use reasonable assumptions and input data. All material misstatements have been adjusted and reported in Appendix C.	Light Purple

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2. Financial Statements – key judgements and estimates.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property valuations - £17.722m	The Council has investment property that in total are valued in the balance sheet as at 31 March 2021 at £17.722m. The value of investment properties have decreased by £1.003m from 2019/20 (£18.725m). Auditing standards require that Investment Properties are valued annually. The investment property is valued on an annual basis by the internal valuation team within the Council. All of the properties held by the Council were revalued as at 31/3/21. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	We performed the work below in terms of assessing the estimate: • assessment of management's expert, the external valuer • assessment of our auditor's expert, Gerald Eve • assessment of the completeness and accuracy of underlying information used determine the valuation • assessment of the reasonableness of change in valuation including with market trend report provided by our auditor expert Gerald Eve • assessment of the adequacy of disclosure of the estimate in financial statements. We have set out the material misstatements and control weaknesses in relation to this balance on page 9. After considerable work and after the amendments made by the Council, we can now conclude that the estimates in the amended financial statements use reasonable assumptions and input data. All material misstatements have been adjusted and reported in Appendix C.	Light Purple

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £65.836m	The Council's net pension liability at 31 March 2021 is £65.836m (PY £53.148m) comprising the West Lancashire Borough Council's net liability in the Local Government Pension Scheme (LGPS). There has been a £12.418m net actuarial gain during 2020/21. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	• We have assessed the Council's actuary, Mercers, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to raise • We have used PwC as our auditor expert to assess the actuary and assumptions made by actuary - see table below for our comparison of assumptions:	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.1%	2.1% - 2.2%	●
Pension increase rate	2.8%	Inflation less 0.9% to 0.7%	●
Salary growth	4.2%	1.25% to 1.5% above CPI	●
Life expectancy – Males currently aged 45 / 65	23.9	22.5 – 24.7	●
Life expectancy – Females currently aged 45 / 65	26.9	25.9 – 27.7	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2020/21 to the valuation method
- We are satisfied with the reasonableness of estimate of the net pension liability.

Assessment

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- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £0.849m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management has calculated a provision based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	We examined the estimate, considering the: • appropriateness of the underlying information used to determine the estimate • impact of any changes to the valuation method • consistency of the estimate and the reasonableness of the increase in the estimate • adequacy of disclosure of the estimate in the financial statements. We were satisfied with the methodology for the calculation of the provision.	Light Purple
Allowance for Impaired Debt £5.975m	The Council are responsible for calculating the allowance for impaired debt based upon the latest information about collectability of debt.	We examined the estimate, considering the: • appropriateness of the underlying information used to determine the estimate • impact of any changes to the valuation method • consistency of the estimate and the reasonableness of the increase in the estimate • adequacy of disclosure of the estimate in the financial statements. We were satisfied with the methodology for the calculation of the allowance.	Light Purple

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- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £46.283m Due to the Covid-19 pandemic there has been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non discretionary schemes.	Management take into account three main considerations in accounting for grants: • whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes.	We completed sample testing on grant income, considering; • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) - which impacts on where the grant is presented in the CIES. • the adequacy of disclosure of judgement in the financial statements. The Council assessed the major business support grant programmes administered during the financial year to determine whether the Council was acting as principal (where the Council had discretion over the amount of funding to award or the criteria for who could be awarded funding) or agent (passing money to businesses on behalf of government). In acting as principal, the Council carried forward as receipts in advance any balances for which the conditions of the grants have not been met in 2021-2022. Where the Council acts as an agent, any unspent balances are carried forward as a creditor. In addition to this income, agency grants of £32.711m were received in the period although these were not disclosed with the appropriate memorandum disclosures within the draft financial statements. These disclosures have been included in the final accounts. We conclude that management's judgements are reasonable with regard to grant revenue recognition.	● Light Purple

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.617m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £0.617m, a net decrease of £2.019m from 2019/20. This is largely due to an additional provision of £2.3m made in 2019/20 over and above the required provision.	We have reviewed the Council's calculation of MRP and concluded that: • the Council's MRP has been calculated in line with the statutory guidance • the Council's policy on MRP compiles with statutory guidance. • MRP as a proportion of CFR is 0.59% and this is considered to be particularly low. While the MRP has been calculated accurately in line with the Council's MRP policy, we recommend that the Council consider whether the current policy achieves a reasonable MRP provision and amend the policy if necessary. We have issued a recommendation in Appendix A. The Council when reviewing the mapping for the 2020/21 draft financial statements noted that the capital financing note in the first draft had omitted £0.338m for the HRA MRP. The Council have included this in the final version of the financial statements and this adjustment is noted in Appendix C.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - matters discussed with management.

This section provides commentary and a summary on the significant matters we discussed with management during the course of the audit. The issues may be raised in other parts of this report, but this section of our report brings together the key issues.

Significant matter	Commentary	Auditor view and management response
Late production and poor quality of the financial statements	The draft 2020/21 financial statements were late, received for audit in November 2021. The audit began but there was a low level of engagement, a high number of queries and samples with inadequate or no responses, as well as a significant number of amendments identified. We withdrew from the audit in March 2022 with a view to return in July 2022 when the issues identified were rectified. In the mean-time the Council carried out a full review of the financial statements for 2020/21 and produced a revised version with material amendments. The Council were not ready to resume the audit in July 2022 as all queries had not been resolved and group accounts or Property, Plant and Equipment (PPE) updated valuations were not yet within the financial statements. A revised date of October 2022 was given to recommence the audit. The quality of version one of the financial statements submitted for audit was inadequate. Group accounts were not prepared, little was consideration given to PPE valuations and the turnover of staff and capacity issues in the internal valuation team at the Council created a very challenging and resource intensive audit environment.	The response to the audit process improved since resuming the audit in October 2022, but the number of material amendments in the financial statements is significant including a prior period adjustment when compared to version one. The Council have prepared their draft financial statements for 2021/22 on time and they were authorised for issue on 27 July 2022. **Management response** Turnover in key staff lead to a loss of continuity in the production of the 2020-21 statements. Additional resources has been brought in lead to significant changes to correct the statements following a full review. 2021-22 statements have also been updated to reflect the changes in 2020-21 in preparation for audit along with the 2022-23 for publication and audit. A robust process is now in place which will ensure that improvements continue.
Prior Period Adjustment	The Council and the audit team have identified a number of issues within the 2019/20 accounts and therefore a number of prior period adjustments have been made. Our work on the PPA note identified some PPA elements that were omitted from the disclosure. The Council have also amended non-material items, this has led to further audit work on the restatement of figures. In addition, the recognition of non-material Prior Period Adjustments is not required by the accounting standards and we therefore consider these adjustments to be inappropriate. These amendments have impacted the main financial statements as well as the corresponding notes.	See appendix C for further details of the amendments made. **Management response** The element of the PPA that is noted as omitted was included originally but removed following an audit review of the issue. A more senior review then noted that it had been removed and requested its reinstatement. This is now resolved. Non material elements, although not required by the Code, were left in for transparency and completeness.

2. Financial Statements - matters discussed with management.

Significant matter	Commentary	Auditor view and management response
Technical Review of the Accounts	Due to the Council providing group accounts for the first time partnered with the fact that there are a significant amount of changes from version one to version three of the financial statements, we therefore completed a full technical review of the accounts. Our technical review of the accounts identified a number of areas throughout the financial statements where amendments were required.	Adjustments have been agreed with management and these are listed in Appendix C. The Council will need to ensure the issues amended for in the 2020/21 financial statements as a result of our review are made in future sets of the financial statements. **Management response** Future statements have been amended and processes are in place to ensure robustness of information in the accounts.
Group Accounts	When version one of the draft statement of accounts was provided to the audit team, the Council did not disclose group accounts. As on the information provided, the subsidiary was deemed to be qualitatively material, it was recommended that the Council consider whether group accounts were therefore required. The Council did not provide these group accounts until version three of the accounts which the audit team received in September 2022. This matter is detailed on page 11 of this report.	The Council should assess their boundary annually for inclusion of group accounts. **Management response** Noted and actioned. The boundary is assessed annually and Group Accounts will be included when appropriate,

2. Financial Statements - matters discussed with management.

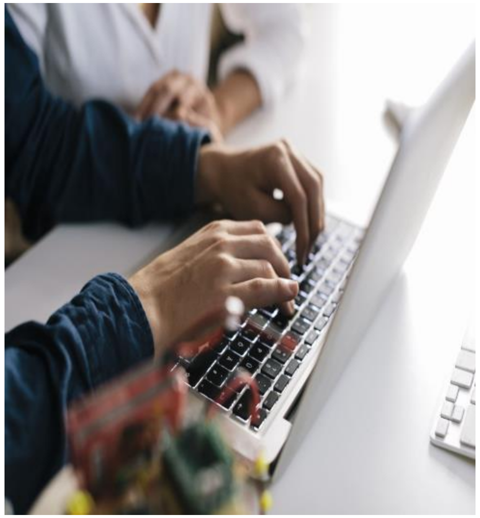
Significant matter	Commentary	Auditor view and management response
Other Land and Building valuations	When version one of the draft financial statements was provided to the audit team there were no revaluations of other land and buildings included. As a result of our audit challenge the Council revisited this position and in the set of financial statements received in September £2.209m of valuations were added. The additional work required, as detailed on page 9, to obtain adequate assurances over these valuations has been significant and additional audit resource has been required.	The Council should carry out detailed assessments annually of whether the Other Land and Buildings valuations are materially correct. **Management response** The policy for revaluation over a 5 year period has been reviewed and amended from all assets every 5th year to 1/5th of the assets annually. An assessment will be made each year to ensure that all required assets are revalued in that year.
Management override of controls	We identified one instance where internal controls were bypassed and a significant control weakness was identified in the use of a login that was active for an employee that had left the Council. This is a significant weakness in internal control. This matter is detailed on page 8.	The Council should review their processes for the removal of leavers from IT systems and reinforce the IT policies in place to ensure an issue like this does not re-occur. **Management response** The leavers process has been updated to ensure that access rights to IT are removed on leaving the council.

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. We identified that senior officers do not complete annual declaration of interests forms.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council, including specific representations in respect of the Group upon the conclusion of our audit. We will also consider what additional representations we will require due to the findings within this Report.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests for investments and bank confirmations. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Within accounting policies the following issues were noted and amendments have been agreed by the Council: • Employee Benefits - for post employments benefits additional disclosure about the accounting for the components of the movement in the net pension liability will be added • Financial Instruments - for interest and expected credit loss disclosure will be added • Accounting Standards issued but not yet adopted will be amended to ensure all are relevant • HRA will include details of the desk-top valuation within the disclosure Our work on estimates has already been reported on pages 13 to 19 and is not repeated here also. With regard to financial disclosures, the number of amendments is significant. This is in part to the Council's own review of the mapping for 2020/21, but also the issues arising from our audit work and challenge that have required amendments. In addition, our technical review of the financial statements has identified many amendments to disclosures. As already noted, due to the significance of the issues encountered in 2020/21 the issues identified will be incorporated into future financial statements, and because the Council has looked to improve its quality assurance processes it is hoped that the Council will be able to respond positively in future years.
Audit evidence and explanations/ significant difficulties	As noted on page 3, the audit has encountered significant delays and challenges. Significant amounts of additional audit resource has been required due to the magnitude of the changes in the financial statements and the issues encountered. Our significant issues section on pages 20 to 22 sets out the key areas we have been discussing as part of the audit.

2. Financial Statements - other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue | **Commentary**

Going concern

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Council and the environment in which it operates
- the Council's financial reporting framework
- the Council's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

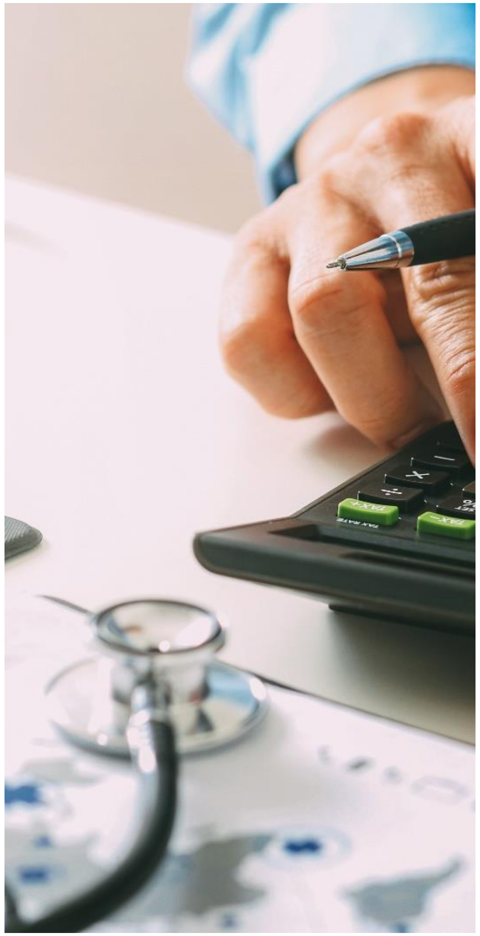
On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our assessment will be updated as part of our closing procedures and the Council will provide an updated going concern assessment. As a significant amount of time has elapsed since the first draft of the financial statements we have a duty as does the Council to assess going concern for 12 months past the date of audit sign off.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work on the Narrative Statement is complete. The Council have agreed to changes in the following areas and we will review the final version of the accounts to confirm that appropriate amendments have been made: • Organisational overview and external environment • Governance • Operational model • Risks and opportunities: now included • Strategy and resource allocation • Performance • Basis of preparation and presentation The Council should ensure that for both the Annual Governance Statement and the Narrative Statement that quality assurance processes are in place to ensure the disclosure is compliant with technical guidance to avoid the number of adjustments that have been required.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. Note that the issues that impacted the ‘except for’ qualified conclusion in 2019/20 have re-occurred in 2020/21. Our value for money work has identified three significant weaknesses in the Council’s arrangements with four key recommendations. Our reporting of the VFM is on pages 28 to 31 and detailed in our Auditor’s Annual Report where our conclusions are set out in further detail.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Please note that detailed work is not required as the Council does not exceed the threshold; however a return with reduced procedures will still need to be undertaken as part of the closing procedures of the audit. The Council will need to amend their WGA return to reflect the audited financial statements.
Certification of the closure of the audit	We anticipate completion and certification of the audit following the 26 July 2023 Committee.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are 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

3. VFM - our procedures and conclusions

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. We have performed further procedures in respect of these risks and have completed this element of our VFM work. Our conclusions are detailed below. Our Annual Auditor's Report makes reference to these significant weakness in arrangements, as required by the Code.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial Sustainability	We considered how the Council: • identifies all the significant financial pressures it is facing and builds these into its plans • plans to bridge its funding gaps and identify achievable savings • plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities • ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning • identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.	Overall, we are satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risk of significant weakness, but we have identified one improvement recommendation.	An improvement recommendation is that the Council as a matter of priority should document plans for delivering savings to balance budget for 2023/24 and in future years of the Medium Term Financial Forecast (MTFF). The plan should be sufficiently detailed and subject to regular process of monitoring by the appropriate Committee.

3. VFM - our procedures and conclusions

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
The arrangements for governance and improving economy, efficiency and effectiveness for the Council's company Tawd Valley Developments Limited	We considered how the Council: • uses financial and performance information to assess performance to identify areas for improvement • evaluates the services it provides to assess performance and identify areas for improvement • ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve • ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.	We are satisfied the Council has appropriate arrangements in place for the oversight of the Tawd Valley Developments Limited company, but we have identified one improvement recommendation.	An improvement recommendation is that the Council should continue to develop and agree a robust business case for the Tawd Valley Development Limited and define the performance indicators through which the Council will continue to review and evaluate performance of the subsidiary for the short, medium and long-term.
Late production and poor quality of the financial statements	As part of our work on governance we considered the Council's arrangements in place for the preparation of the financial statements including the response to the audit process.	The Council does not have satisfactory arrangements in place to prepare timely financial statements that are free from material error, and this is a significant weakness. We have raised one key recommendation in relation to this issue.	A key recommendation is that the Council must improve the timeliness of their financial statements preparation and ensure that effective quality review processes are in place to present draft financial statements that are in accordance with accounting standards and reporting requirements, and be free from material error.

3. VFM - our procedures and conclusions

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Procurement	We reviewed the internal audit reports to ascertain whether control weaknesses in procurement are systematic and reflective of procurement across the Council. We determined that further work would be required to ascertain the extent of the issue and whether this was reflective of broader issues with major procurement exercises. We have tested further procurement contracts and conclude that no further weaknesses have been identified.	The Council does not have satisfactory arrangements in place to ensure all procurement procedures are followed, and this is a significant weakness. We have raised two key recommendations and one improvement recommendation in relation to this issue. We do not consider use of formal auditor's powers to be necessary.	The first key recommendation is that the Council should undertake a sample review of procurement activity that meets the threshold requiring competitive tender under financial regulations and contract procedure rules, from 2020/21 through to the present, to ascertain whether there were further examples of significant non-compliance with the Council's Contract Procedure Rules, Financial Regulations and OJEU procurement regulations. This should include all current major procurements meeting the tender threshold. Where any cases of non-compliance are found, assurance on the lawfulness of associated payments in regard to the Council's Contract Procedure Rules, Financial Regulations and OJEU procurement regulations should be obtained from Legal Services and reported to members along with and assessment of the exposure to risk. The second key recommendation is that the Council must fully address the fourteen recommendations set out in the procurement audit report as a matter of priority. Assurance must be provided to members on progress and mitigating actions taken to protect the Council while new processes embed. The Council should also consider how lessons learned can be recognised and embedded across the Council.

It should be noted that there is an additional key recommendation not set out above as it has been identified via the work completed rather than in relation to a specific risk of significant weakness identified in planning. This relates to the independence of the internal audit function and is as follows:

The Council should ensure that the role of the Chief (Internal) Audit Executive maintains sufficient independence, from operational activities that may be subject to review. Consideration should also be given to restructuring the role to report directly into the Chief Executive and with unfettered access to the Chair of the Audit and Governance Committee in line with best practices and as recommended by the Public Section Internal Audit Standards (PSIAS).

Detail on all of the findings are set out in our Auditor's Annual Report.

4. Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue	Commentary
Other Statutory powers and duties	The use of other statutory powers and duties are not considered to be required.

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

5. Independence and ethics – 2020/21

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified were identified which related to 2020/21, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of pooled housing capital receipts grant	4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the current fee for the audit of £153,884 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	19,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,000 in comparison to the total current fee for the audit of £153,884 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

5. Independence and ethics: other years

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified were identified which related to later years, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of pooled housing capital receipts grant	19/20 – 2000 21/22 – 15,000 22/23 – 20,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work as set out aside for individual years in comparison to the current fee for the audit of £153,884 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	19/20 – 13,000 21/22 – 17,825 22/23 – 26,738	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work as set out aside for individual years in comparison to the total current fee for the audit of £153,884 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff

Appendices

A. Action plan – Audit of Financial Statements

We have identified thirteen recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue	Recommendations
● Medium	Our work on the Annual Governance Statement (AGS) provided for audit identified that the AGS was incomplete with many sections still to complete. There is specified guidance that sets out the disclosure required which should form part of the quality assurance checks the Council performs on this statement. While we consider the AGS to comply with required disclosures, there are changes to the Statement that should be made to further improve the quality of the AGS.	Ensure that the Annual Governance Statement presented in the draft financial statements has been subject to adequate quality assurance arrangements and is in accordance with specified guidance. **Management response** This has already been taken on board and actioned in 2021-22 and 2022-23.
● Medium	Our work on the Narrative Report identified multiple areas where the Council needed to improve disclosure to either add required disclosure or enhance existing disclosure. There is specified guidance that sets out the disclosure required which should form part of the quality assurance checks the Council performs on this statement.	Ensure that the Narrative Statement presented in the draft financial statements includes all required disclosure in accordance with specified guidance. **Management response** This has already been taken on board and actioned in 2021-22 and 2022-23.
● High	Effective quality assurance processes were not in place for the production of the financial statements in 2020/21 as there were many errors and inconsistencies within the draft financial statements presented for audit.	Ensure that effective quality assurance processes are in place for the production of the draft financial statements and that they are subject to thorough review and stand back procedures prior to submission for audit **Management response** This has already been recognised and actioned in 2021-22 and 2022-23. Comprehensive control mechanisms have been built into the production process including the consistency checker. All statements and notes are now reviewed and quality assured before inclusion in the statements. The overall statement is then reviewed by at least two senior members of staff.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	Our work has identified an issue with the management override of controls. We identified that two journals were posted an employee login when the employee had left the organisation. The login was used by another employee at the Council. This is a significant weakness in internal control. Our testing did not identify any issues with the nature of the two journals posted, but this represents a breach in expected protocols. The officer involved has since left the Council. The Council should ensure this does not happen in future and improve the timeliness of leavers IT access privileges removal.	When an employee leaves the authority, the user login should be removed in a timely manner. **Management response** This has been recognised and actioned. Notifications are sent to IT to remove access rights as a standard part of the leaver process.
●	The Council has a lack of formal instructions for the valuation undertaken in 2020/21. The impairment certificate provided for 2020/21 is not a final version. The Council's valuer has changed since the person who undertook the valuations. It has been difficult when discussing valuations to obtain the required responses and the lack of complete instructions or a final impairment certificate has added to the challenge.	It is fundamental that the instructions for valuation are formally documented by the Council whether it be an external or internal valuer. Any outputs such as the impairment certificate that shows the judgements must be a signed final version in order that judgements and conclusions are adequately evidenced. **Management response** Due to the delays in audit of 2020-21 this issue has overlapped into 2021-22 and 2022-23 however the valuation work has now been externalised via a competitive tender process to Capita for 2023-24. Clear and formal instructions have been issued to Capita in preparations.
●	For both Investment Properties and other land and buildings when we issued our sample it became clear that due to staff turnover that the Council were struggling to evidence the valuations at the level we require.	The Council should undertake a quality assurance review of the evidence held for significant valuations to ensure the information to underpin all main assumptions can be adequately evidenced. **Management response** Noted and agreed.
●	The MRP has been calculated accurately in line with the Council's MRP policy however, MRP as a proportion of CFR is 0.59% and this is considered to be particularly low.	The Council should consider whether the current policy achieves a prudent MRP provision and amend the policy if necessary. **Management response** Noted. The calculation is correct and in line with the councils policy. We will consider the MRP policy and provision on an ongoing basis.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
● (High)	The PPE note within the financial statements reports an infrastructure balance of £1.230m. There is no depreciation in year and no cumulative depreciation. Although the charge of depreciation will not be material, it is important that the Council follows the accounting standards and CIPFA Code of Practice in how to account for infrastructure assets.	Review the accounting practice for the accounting for infrastructure and ensure the asset lives chosen are based on judgements that can be evidenced. **Management response** The depreciation policy for infrastructure assets has been reviewed and amended. A prior period adjustment has been included in the 2020-21 accounts and depreciation is now ongoing for all infrastructure assets.
● (Medium)	Our work has identified that Senior Officers within the Council do not submit an annual declaration of interests. The most recent declarations are dated 2015 and submissions are only submitted as and when they are required. While our procedures have confirmed that the related party disclosures are complete and accurate, we consider absence of annual submissions to present a control weakness.	Senior Officers to submit declarations of interest annually. **Management response** Noted. Procedures have now been updated and will be in place for 2023-24. Annual declarations are required by 30 November each year. Prior years are also being confirmed.
● (Medium)	When testing a sample of Grants Received in Advance, a sample of two Commuted Sums have been tested. The authority are unable to provide third party documentation, and made the audit team aware that for all Commuted Sums there is no supporting evidence. We note this in the adjustments section of our report also, the total value of commuted sums is not material.	The Council should carry out a full review of Grants Received in Advance and ensure that the Council review the accounting treatment going forward. **Management response** These relate to small amounts dating back to 1990's which should have been released into revenue each year. These will be released in full in 2023-24. A review of grant received in advance will be performed as part of the 2023-24 year end process and ongoing.
● (High)	Our work has identified through sample testing, that when a member of the Council is no longer in post, they can sometimes leave behind no trail of supporting evidence for transactions they have actioned. On a number of occasions, the authority have been unable to provide sample evidence due the member of staff no longer being employed by the Council and additional work was required by the Council to evidence the sample items.	It is recommended that the Council make evidence readily available and ensure a formal handover is undertaken once a member of staff leaves. This will ensure that all data is available upon request. **Management response** All working papers and evidence are now required to be saved centrally.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	Through our assessment of property valuations the Council were unable to demonstrate that assets had been physically inspected by the valuer to assess for impairment.	We recommend that adequate records are maintained to demonstrate that impairment reviews have taken place. While this weakness did not indicate risk of material misstatement in the accounts it does represent a control weakness. **Management response** The valuation work has now been externalised via a competitive tender process to Capita for 2023-24. They will be required to collate and maintain appropriate documentation and evidence to support any impairment.
●	The Estimation Uncertainty note in the accounts should set out and explain the particular assumptions that give rise to the uncertainty. The note does not set this out for PPE.	We recommend that going forward the note be expanded to include the additional information. **Management response** Noted and actioned. PPE is now included.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of West Lancashire Borough Council's 2019/20 financial statements, which resulted in two recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations and both are outstanding as the same issues have also occurred in 2020/21.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Delayed publishing of the Draft Financial Statements The Council should review its arrangements for ensuring resilience within the finance team and its capacity to support the audit process.	This issue has arisen in 2020/21 also.
X	Fixed Asset Register and General Ledger The Council should consider the adequacy of its Fixed Asset Register as a tool for managing its property, plant and equipment and supporting adequate financial reporting.	The same fixed asset register is in place and some difficulty with reconciliation experienced.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments – Prior periods

Prior Period Adjustment Amendments

The table below provides details of the changes identified by the Authority in respect to the prior period. Version 1 of the 2020/21 account opening balances agreed to the 2019/20 closing balances. However the Authority then made a number of prior period adjustments. One was valid (Community Infrastructure Levy – CIL) and related to moving income from the top of the CIES to a category lower down in the CIES (first item below). The Authority then went onto make a number of changes to prior period comparatives as a result of changes to the mapping of the accounts. These changes do not comply with the definition of a prior period adjustment because they were not as a result of a change in accounting policy or and fundamental (material) error. These had no overall impact on the bottom line of the CIES – see below. The majority of the adjustments to 2019/20 opening balances detailed in the following pages are a result of the impact of the adjustment for the Community Infrastructure Levy (detailed in note 41 to the accounts).

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000
Reclassification from Capital Grants. The Code of Practice requires Community Infrastructure Levy (CIL) to be recognised as income in the Comprehensive Income and Expenditure Statement but £4.234m had been recognised despite not having been applied to fund infrastructure. This is therefore transferred from General Fund Reserves to Capital Grants Unapplied within the 2020/21 opening balances. The balance being recognised in Taxation and Non Specific Grant Income and transferred to Capital Grants Unapplied.		6,601
General Fund Reserves		(6,601)
Capital Grants Unapplied		
Changes have been made due to the remapping of cash received in advance from debtors to creditors and due to the Council's share of land sales sites increase debtors and grants and contributions in advance		
Current debtors		(850)
Current creditors		(355)
Grants in advance		(496)
General Fund		1,701
The Code of Practice requires that depreciation on Non-Current Assets is derecognised at the point of revaluation. Council Dwellings were fully revalued within 2019-20 and the figures have therefore been restated.	£0	(40,884) 40,884

C. Audit Adjustments – Prior periods

Prior Period Adjustment Amendments

The table below provides details of the changes identified by the Authority in respect to April 2019 which has resulted in the April 2019 balance sheet being restated

Capital investments were recognised as assets under construction in the balance sheet, but were intended to be disposed of and not to be used by the Council, and so do not meet the definition of PPE AUC, and should instead be accounted for as inventory.		
Inventory		4,157
Assets under Construction		(4,157)
Overall impact	£0	£0

C. Audit Adjustments – Prior period 2019/20

Disclosure amendments identified	Auditor Comment
Balance Sheet – The Council has amended prior year figures, this is seen from the differences between version one (originally submitted for audit) and the updated version three of the accounts, as noted below. These changes have been made due to the remapping of cash received in advance from debtors to creditors and due to the Council's share of land sales sites increase debtors and grants and contributions in advance (see previous page): In version one of the accounts, the figure for 'Current assets' is £31.731m whereas in version three this is £28.591m. This results in a difference of £0.85m due to a change in Short Term Debtors. In version one of the accounts, the figure for 'Current Liabilities' is -£13.074m whereas in version three this is -£13.429m. This results in a difference of £0.355m due to a change in creditors. This is shown in the PPA note 41 in the version three accounts. In version one of the accounts, the figure for 'Long Term Liabilities' is -£148.996m whereas in version three this is -£149.492m. This results in a difference of £0.496m which is due to amendments in Grants in Advance. Our work on this area is complete.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Cash Flow Statement – As a result of the amendment related to CIL on the previous page the Council has amended prior year figures, this is seen below: • In version one of the accounts, the figure for 'Net cash flows for Operating Activities' is £8.588m whereas in version three it is £4.924m, resulting in a difference of £3.664m. • In version one of the accounts, the figure for 'Net cash flows for Investing Activities' is -£7.063m whereas in version three it is -£3.409m, resulting in a difference of £-3.654m. Likewise, 'Net cash flows for financing activities' is £-0.597k whereas in version three is £-0.587k a difference of £0.001m. This sums to £3.664m and these changes have been made due to accounting for the CIL.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Expenditure and Funding Analysis - The Council has amended prior year figures. These changes move some of the figures within the note but do not change the overall reconciliation of the EFA to the CIES. The differences between version one and three of the accounts, this is seen below: • Net Cost of Services: The figure for 'Net Expenditure Chargeable to the General Fund & HRA' in version three of the accounts is £13.254m whereas in version one the figure is as £18.503m, resulting in a difference of £5.249m. The figure for 'Adjustments between the Funding and Accounting Basis' in version three of the accounts is £4.190m whereas in version one the figure is as £-3.731m, resulting in a difference of £-7.921m. The figure for 'Net expenditure in Comprehensive Income and Expenditure' in version three of the accounts is £17.444m whereas in version one of the accounts it is £11.772m. This results in a difference of £5.672m. These are not shown in the PPA note 41. • Surplus or Deficit: The figure for 'Net Expenditure Chargeable to the General Fund & HRA' in version three of the accounts is £1.324m whereas in version one the figure is as £-1.043m, resulting in a difference of £-2.367m. The figure for 'Adjustments between the Funding and Accounting Basis' in version three of the accounts is £1.275m whereas in version one the figure is as £-3.642m, resulting in a difference of £2.367m. The figure for 'Net expenditure in Comprehensive Income and Expenditure' in version three of the accounts is £2.599m, whereas in version one of the accounts it is £2.599m. This results in a difference of nil. These are not shown in the PPA note 41. • Closing balances & reserves: The figure for 'Net Expenditure Chargeable to the General Fund & HRA' in version three of the accounts is £-13.121m whereas in version one the figure is as £-19.723m, resulting in a difference of £-6.602m.	We recommend that this is included in the prior period adjustment note.

C. Audit Adjustments – Prior period 2019/20

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Prior Period Adjustment Amendments

The table below provides details of the changes identified by the Authority in respect to the prior year (2019/20) which have been made within version 3 of the financial statements.

Disclosure amendments identified	Auditor Comment
MIRS – As a result of the amendment related to CIL page 43 the Council has amended prior year figures as follows: • The opening balance as at 31 March 2019 for 'Earmarked General Fund Reserves', version one states this figure as £13.509m whilst version three states the figure as £9.275m. This is a difference of £4.234m due to a reclassification from Capital Grants. This is shown in the PPA note 41 in version three of the accounts. The Code of Practice requires Community Infrastructure Levy (CIL) to be recognised as income in the Comprehensive Income and Expenditure Statement, but has yet to be applied to fund infrastructure. The opening balance on the CIL of £4.234m is transferred to Capital Grants Unapplied to apply this as the previous financial statements did not classify the balance correctly. The below movements have also been made in order to recognize the CIL as income, so it represents capital resources not yet utilised. • For 'General Fund Balances' under the category 'Adjustments between accounting basis and funding basis under regulations (note 6), version one states £5.876m whilst version three states this figure as £3.507m, resulting in a difference of £2.368m due to the reclassification from Capital Grants. This is shown in the PPA Note 41 in version three of the accounts. • For 'General Fund Balances', under the category 'Transfers to/from Earmarked Reserves' version one of the accounts states this figure as -£2.033m whilst version three states £0.334k, resulting in a difference of £2.368m due to reclassification from Capital Grants. This is shown in the PPA Note 41 in version three of the accounts. • From version one to version three of the accounts, there has been a movement of £6.601m from Capital Grants Unapplied, to Earmarked General Funds Reserve. This is the summation of the movement in opening balances and the additional £2.368m as stated above.	This has been reflected in the prior period adjustment disclosure in Note 41. From our audit work performed we are satisfied with the basis of the adjustments undertaken. The primary reason is the change in classification of where the Community Infrastructure Grant was disclosed.
Income & Expenditure Statement – As a result of the amendment related to CIL on page 43 the Council has amended prior year figures as follows: • Cost of Services: The Gross cost in version one of the accounts is £75.752m whereas in version three this is £75.989m, resulting in a difference of £0.237m. The Gross income in version one of the accounts is £60.980m and in version three the figure is £58.545m, resulting in a difference of £2.435m. The Net cost in version one of the accounts is £14.772m whereas in version three it is £17.444m, resulting in a difference of £2.673m. This is due to changes in 'Growth and Development' of £2.566m and 'Wellbeing and Leisure' of £0.107m. The in-year receipts of £2.566m is being moved from the 'Growth and Development line of Net Cost of Services to Taxation & Non-Specific Grant Income & Expenditure in the CIES and reversed to Capital Grants Unapplied through the MiRS. The movement of £0.107m for 'Wellbeing and Leisure relates to an error identified by the Council within Financing & Investment Income & Expenditure figure that has been corrected. • Surplus or Deficit on Provision of Services: The Gross cost in version one of the accounts is £101.245m whereas in version three this is £81.745m, resulting in a difference of £19.500m. The Gross income in version one of the accounts is £98.646m and in version three the figure is £79.146m, resulting in a difference of £19,500k. The Net cost in version one of the accounts is £2.599m and it has not changed in version three. This is due to a decrease of £6.346m in Other Operating Expenditure within both Gross Cost and Income albeit no change in Net costs. For Financing & Investment Income gross cost has decreased by £0.107m, gross income as remained the same and Gross cost has decreased by £0.107k, this is due to the error identified by the Council which moved this amount from here to 'Wellbeing and Leisure within cost of services. Then finally, Taxation & non specific grant income & expenditure has decreased by £2.565m. This is due to the adjustment made as stated above.	This has been reflected in the prior period adjustment disclosure in Note 41. We recommend that this is included in the prior period adjustment note. It is also recommended that further detail should be included in the accounts as to why this amendment has been made.

C. Audit Adjustments – Prior period 2019/20

Disclosure amendments identified	Auditor Comment
Note 6 Adjustments between accounting and funding bases under regulations - As a result of the amendment related to CIL page 43 the Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: • Total Adjustments to Revenue Resources: The figure for the 'General fund balance' in version three of the accounts is £6.441m whereas in version one, it is £9.130m. This is a difference of £2.689m as shown in PPA note 41. The figure for 'Capital grants unapplied' in version three of the accounts is £2.566m whereas in version one, it is -£0.240m. This is a difference of £2.806m as shown in PPA note 41. The figure for 'Movement in unusable reserves' in version three of the accounts is -£18.966m whereas in version one it is -£18.848m. This is a difference of £0.118m as shown in PPA note 41. • Total Adjustments between revenue and capital resources: The figure for the 'General fund balance' in version three of the accounts is -£2.934m whereas in version one, it is -£3.133m. This is a difference of -£0.199m as shown in PPA note 41. The figure for 'Capital receipts reserve' in version three of the accounts is £3.061m whereas in version one, it is £5.427m. This is a difference of £2.366m as shown in PPA note 41. The figure for 'Movement in unusable reserves' in version three of the accounts is -£8.793m whereas in version one it is -£6.625m. This is a difference of -£2.168m as shown in PPA note 41. • Total Adjustments to Capital Resources: The figure for the 'General fund balance' in version three of the accounts is 0 whereas in version one, it is -£0.121m. This is a difference of -£0.121m as shown in PPA note 41. The figure for 'Capital receipts reserve' in version three of the accounts is -£5.207m whereas in version one, it is -£7.573m. This is a difference of -£2.366m as shown in PPA note 41. The figure for 'Mov.t in unusable reserves' in version three of the accounts is £8.916m whereas in version one it is £10.965m. This is a difference of £2.049m as shown in PPA note 41. The differences made are to account for the CIL, however, it is also noted that £0.121m recognized in Taxation & non-specific grant income & expenditure and £0.24m applied from the Capital Grants Unapplied reserve have also been adjusted between the two rows.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 7 transfers to and from earmarked reserves - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The balance at 31/03/2019 for version three is £12.865m and in version one it is £17.099m. This is a difference of £4.234m. The movement in year in version three is -£1.324m and in version one it is £1.045m. This is a difference of £2.369m. This is because this line within the accounts included the CIL and has subsequently been removed from the note.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 9 Financing and Investment income and expenditure - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The figure for the 2019/20 total in version three of the accounts is £2.775m whereas in version one it is £2.882m. This is an increase of £0.107m. This is shown in PPA note 41 and the difference is due to an amendment in interest payables due to amending for the CIL.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 10 Taxation and non specific grant income – The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The total has been amended from £15.362m as per version one to £17.927m in version three. This is an increase of £2.565m. This is due to an amendment of Capital Grants and Contributions due to amending for the CIL.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.

C. Audit Adjustments – Prior period 2019/20

Disclosure amendments identified	Auditor Comment
Note 16 Financial instruments - As a result of the amendment related to CIL on page 43 the Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: • Financial Assets: The total for 'carrying value' in version three of the accounts is £18.742m whereas in version one it is £24.698m. This is a difference of £5.956m. The total for 'fair value' in version three of the accounts is £18.242m whereas in version one it is £24.698m. This is a difference of £6.456m These changes are shown in note 41 PPA adjustments and is due to changes in debtors and fair value as a result of the CIL. • Financial Liabilities: The total for 'carrying value' in version three of the accounts is £95.123m whereas in version one it is £94.335m. This is a difference of £-70.788m. The total for 'fair value' in version three of the accounts is £111,951k whereas in version one it is £118.148m. This is a difference of £6.197m. These changes are shown in note 41 PPA adjustments and is due to changes in investments/cash and fair value as a result of the CIL.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 18 Debtors - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The total in version three of the accounts is £7.179m whereas in version one of the accounts, it is £6.329m. This is a difference of £-0.85m and is due to amendments in central government bodies and other debtors as a result of the CIL. This has been shown in PPA note 41.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 20 Creditors - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The total in version three of the accounts is £13.429m whereas in version one of the accounts, it is £13.074m. This is a difference of £-0.355m and is due to amendments in other creditors as a result of the CIL.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken
Note 24 Cash Flow statement operating activities - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The 'Non cash movements' figure in version three of the accounts is £-10.322m whereas in version one, it is £-6.381m. This is a difference of £3.941m and is due to an amendment in 'Capital grants for non-current assets charged through revenue'. As per the PPA note, this is due to the amendments made to account for the CIL, however £1.375m relates to REFCUS grants recognized in the Cost of Services omitted from the note, this has been identified by the Council.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 25 Cash Flow statement investing activities - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The 'Net cash flows from investing activities' figure in version three of the accounts is £-3.409m whereas in version one, it is £-7.063,. This is a difference of £3.654m and is due to amendments in 'Other receipts from investing activities and purchase of PPE'.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 26 Cash flow statement financing activities - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The 'Net cash flows from financing activities' figure in version three of the accounts is £-0.587m whereas in version one, it is £-0.598m. This is a difference of £0.001m and is due to an amendment in cash payments for the reduction of outstanding liabilities.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken

C. Audit Adjustments – Prior period 2019/20

Disclosure amendments identified	Auditor Comment
Note 30 Officer Remuneration - In Version 1 of the accounts, the table for Note 30 - Officer Remuneration shows a column for the Remuneration bands: £50,000-£54,999, £55,000-£59,999, £60,000-£64,999, £65,000-£69,999 and then the total. The figures for number of employees for 2019/20 totalled 21 however the amounts shown within these remuneration bands didn't sum to the total presented. Within Version 3 of the accounts, the same table then had additional remuneration bands included: £70,000- £74,999, £85,000-£89,999, £95,000-£99,999, £110,000-£114,999. The number of employees for the remuneration bands then totalled the same number as the total presented.	We recommend that this is included in the prior period adjustment note. It is also recommended that further detail should be included in the accounts as to why this amendment has been made.
Note 32 Grant Income - The Council has amended prior year figures, the majority of which relates to the CIL adjustment on page 43. The 'Total government grants & contributions' figure in version three of the accounts is £5.888m whereas in version one, it is £3.201m. This is a difference of £-2.687m and is due to an addition of capital grants and contributions. The Council have provided a note below Note 32 to state that the 2019/20 figures have been restated to reflect capital grants applied from the Capital Grants Unapplied Reserve and Capital Grants recognized in the CIES. The following adjustment relates to the remapping issue set out on page 43. Grants and Contributions Received in Advance: The total figure in version three of the accounts is £7.039m whereas in version one, it is £6.543m. This is a difference of £-0.496m and is due to an increase in Homes England grant income.	This has not been reflected in the prior period adjustment note, however a note has been added below Note 32 to state reasons for the adjustment. This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 34 Capital Expenditure and Capital Financing - The Council has amended prior year figures,. Again this is movement within the note and other than £53k makes no overall difference to the total within the note. The Opening Capital Financing Requirement as per version three is £104.922m whereas at version one this is £104.868m a difference of £0.054m From version three to version one of the accounts, there has been a £0.198m difference in 'Government grants and other contributions', a £3.271m difference in 'Major Repairs Reserve', a £-2.365m difference in 'Capital Receipts Reserve – developments', a £-3.469m difference in 'Direct Revenue Contributions' and a £2.366m in 'Minimum Revenue Provision'. These net to nil as they are a reclassification of capital expenditure and financing. The 'Closing Capital Financing Requirement' figure in version three of the accounts is £102.685m whereas in version one, it is £102.632m. This is a difference of £-0.053m. This has not been shown in PPA note, however, the Council have provided a note below Note 34 to state that the 2019/20 figures have been restated to reflect capital grants applied from the Capital Grants Unapplied Reserve and Capital Grants recognised in the CIES.	This has not been reflected in the prior period adjustment note, however a note has been added below Note 34 to state reasons for the adjustment.
Housing Revenue Accounts - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The 'Total Expenditure' figure in version three of the accounts is -£20.920m whereas in version one, it is -£20.823m. This is a difference of -£0.097m and is due to an credit made towards 'Supervision and management' costs and this amount debited to Income under 'Contributions towards expenditure'. This has not been shown in PPA note 41. Note 11 Sources of Funding for HRA Capital Expenditure - Within Version 1, the amount for Capital Receipts for 2019/20 under note 11 'Sources of Funding for HRA Capital Expenditure' is £1.058m. Within Version 3, this amount is £1.162m, an increase of £0.104m.	We recommend that this is adjusted in the prior period adjustment note. It is also recommended that further detail should be included in the accounts as to why this amendment has been made.

C. Audit Adjustments – Prior period 2019/20

Disclosure amendments identified	Auditor Comment
Note 14 PPE – Accumulated depreciation brought forward for Council Dwellings was £40.884m in the 2019/20 accounts. As these assets are revalued on an annual basis this depreciation has been amended to zero and netted off against gross value in line with the Code.	We recommend that this is included in the prior period adjustment note. It is also recommended that further detail should be included in the accounts as to why this amendment has been made.

C. Audit Adjustments – 2020/21 adjusted misstatements

Impact of adjustments made from version one to version three of the accounts.

The table below provides details of adjustments identified during the 2020/21 audit which have been amended by the Council

Detail	Comprehensive Income and Expenditure Statement £‘000	Statement of Financial Position £’ 000	Reserves £’000
Current assets have decreased by £1.575m and long-term assets have increased by £1.575m, this is due to a misclassification of a loan in Tawd Valley Development Limited.			
Non-current assets		1,575	
Current assets		(1,575)	
Errors of income and expenditure within service lines and Taxation and non specific grant income and expenditure			
Taxation and non specific expenditure	(9,903)		
Taxation and non specific grant income	10,055		
The Council did not provide valuations for Other Land and Buildings in version one of the accounts.			
Other Land and Buildings		(2,209)	
Other Land and Buildings revaluation reserve			2066
Usuable reserves			(133)
Surplus/deficit on revaluation of non current assets	(2066)		
Remapping of cash lodgements account to creditors and debtors resulting in an increase in the balance of debtors and increase in creditors			
Current debtors		(305)	
Current creditors		581	

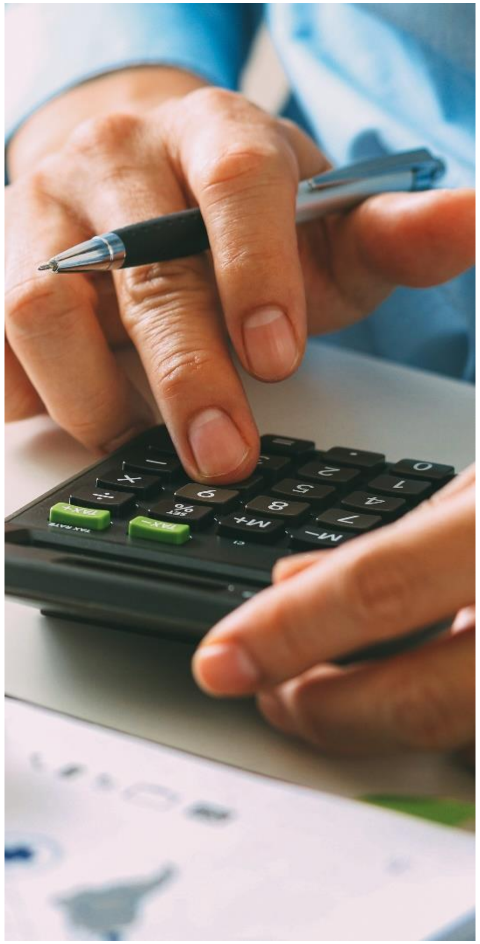
C. Audit Adjustments – 2020/21 adjusted misstatements

Impact of adjustments made from version one to version three of the accounts.

The table below provides details of adjustments identified during the 2020/21 audit which have been amended by the Council

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reserves £'000
There is an infrastructure balance of £1.230m, however there is no depreciation in year and no depreciation charged previously. Cumulative depreciation has been charged in the period for all accumulated depreciation as the misstatement in the opening balance is immaterial and therefore a PPA would not be appropriate.			
Infrastructure assets		(684)	
Depreciation expense	684		
Overall impact	1,230	(1,249)	(1,249)

C. Audit Adjustments – 2020/21 primary statements



Impact of adjustments made from version one to version three of the accounts.

Below we have detailed adjustments identified during the 2020/21 audit which have been identified by the Council and amended for version three of the financial statements that impact primary statements.

Detail

Income and Expenditure Statement – The Council has amended the accounts from version one to three due to errors they identified within version one. The net impact of this was that the 'Total Comprehensive Income and Expenditure has been amended from version one which was -£10.808m to -£12.723m, this is a decrease of £1.915m. This is due to the following amendments.

Cost of Services – Gross Cost as at version one is £80.958m this has increased to £81.663m as at version three, this is an increase of £0.705m. Gross Income has decreased from £68.661m as at version one to £66.164m as at version three this is a decrease of £2.497m. The net impact is an increase of £3.302m. This is due to amendments made within the service lines. Both Gross Cost and Gross Income has been substantively tested as at values stated within version three and we are satisfied with this amendment.

Surplus (-) or Deficit on Provision of Services – Gross Cost as at version one is £99.288m this has decreased to £89.385m as at version three, this is a decrease of £9.903m. This is mainly due to the amount of £8.898m for 'Taxation and non-specific grant income and expenditure' Gross Cost not included as at version three. Gross income has decreased from £97.507m as at version one to £87.452m as at version three, this is a decrease of £10.055m. The net impact is an increase of £0.152m. This is due to a decrease in 'Financing and Investment income & expenditure income' Net Cost of £0.139m, this is due to the sub-categories 'Gains and losses on trading accounts' and 'Other' decreasing by this amount.

Other Comprehensive Income and Expenditure as at version one is -£12.589m whereas as at version three it is -£14.656m, this is due to the 'Surplus (-) or deficit on revaluation of non-current assets decreasing by £2.067m, this is because the Council did not provide valuations for Other Land and Buildings in version one of the accounts.

MIRS – The Council has amended the accounts, the balance as at 31 March 2021 was £106.115m as at version one and has increased to £108.031m as at version three, this is an increase of £1.916m. This is due to the following amendments:

- The total comprehensive income and expenditure for 'Fund Balances General' has decreased by £0.151m which has meant the 'Usable Reserves total' has subsequently decreased by £0.152m. 'Unusable Reserves' has increased by £2.067m. Therefore, the net impact as per Council Reserves total is an increase of £1.915m.
- Adjustments between accounting basis and funding basis under regulations has decreased by £2.830m for 'General Fund Balances' which has been reclassified by decreasing the 'Capital Receipts Reserve' by £0.134m, increasing the 'Unapplied Capital Grants' by £2.707m, decreasing the 'Usable Reserves' by £0.256m and increasing the 'Unusable Reserves' by £0.256m.
- The Transfers to/from Earmarked Reserves had a decrease of £2.707m in 'Fund Earmarked Reserves' which was transferred to 'General Fund Balances', creating an increase of £2.707m.

Work on the MIRS has been completed and no issues have been raised on version three of the values provided. The consistency checker has been completed by the Council and the MiRS is consistent with other areas in the draft SoA. The reasons why the movements have been is linked to the income and expenditure and balance sheet adjustments identified.

C. Audit Adjustments – 2020/21 primary statements

Detail

Balance Sheet – The Council has amended the accounts within the Balance Sheet from version one to version three as follows:

- Long Term Assets have increased by £2.209m, this is due to an increase within Property, Plant and Equipment. This is in mainly due to the Council not providing valuations in version one of the accounts.
- Current Assets have increased by £0.305m, this is due to an increase in Short Term Debtors. This is due to a remapping of cash lodgments account to creditors resulting in an increase in the balance of debtors as this was a contra asset. This has been substantively tested and no issues have been noted.
- Current Liabilities have decreased by £0.581m this is due to a decrease in Short Term Creditors. This is due to a cash lodgment account recoded from debtors, a journal adjustment and an insertion of a new creditor. Work has been carried out on these adjustments and no issues have been identified.

The above has resulted in the change in net assets to be an increase of £1.933m. Total reserves has also decreased by £1.933m. This is split between usable reserves which has a £0.133m increase and unusable reserves which has decreased by £2.066m.

Cash Flow Statement – The Council has amended the accounts from version one to version three by the following:

- Net (surplus) or deficit on the provision of services was -£1.781m as at version one and -£1.933m as at version three this is a decrease of £0.152m.
- Adjustments for non-cash movements (note 24) was £19.942m as at version one and £20.421m as at version three, this is an increase of £0.479m.
- Adjustments for items that are investing or financing activities (note 24) was -£4.023m as at version one and -£8.654m as at version three, this is a decrease of £4.631m.

Work has been carried out on the above changes and these changes have been fed through the accounts and no issues have been identified.

C. Audit Adjustments – 2020/21 disclosure notes amended by the authority

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes from Version One to Version Three of the Draft Financial Statements.

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the third set of financial statements presented for audit

Disclosure amendments identified	Adjusted?
Note 6 Adjustments between accounting and funding bases under regulations - The Council has amended the accounts from version one to three due to errors they identified within version one. This is seen below: • Total Adjustments to Revenue Resources: The figure for 'General fund balance' in version three of the accounts is £7.004m whereas in version one, it is £12.122m, this is a difference of £5.108m. The figure for 'Capital Grants Unapplied' in version three of the accounts is £2.986m where in version one it is -£0.117m. This has changed due to CIL accounting correction and agrees to Note 10. • Total Adjustments to Capital Resources: The figure for the 'General Fund Balance' in version three of the accounts is nil whereas in version one it is -£2.289m. The figure for 'Capital Receipt Reserve' in version three of the accounts is -£2.414m whereas in version one it was £2.279m. The 'Capital Grants Unapplied' in version three is -£0.396m whereas in version one it is 0. Work has been carried out on the above changes and these changes have been fed through the accounts and no issues have been identified.	yes
Note 7 Transfers to and from Earmarked reserves – The Council has amended the accounts from £28.610m as at version one to £19.302m as at version three this is a decrease of £9.308m, this is due to the Council removing the line Capital Reserves as it is amalgamated within another total within version three.	yes
Note 9 Financing and Investment Income and Expenditure – The Council has amended the accounts from £4.297m as at version one to £4.158m as at version three, this is a decrease of £0.139m. This is due to the 'Gains and losses on trading accounts' value decreasing from £0.0026m to 0k and the 'Other' value decreasing from £0.114m to nil.	yes
Note 10 Taxation and Non-Specific Grant Income – The Council has amended the accounts from £15.937m as at version one to £18.848m as at version three, this is an increase of £2.911m. This is due to a £0.012m decrease in Council Tax Income, a £0.012m increase in non-ring-fenced government grants and a £2.911m increase in Capital grants and contributions. These movements have occurred due to income that related to non-ring fenced general COVID grants were classified as other income/fees and charges in version 1 of the accounts, as well as applied Community Infrastructure and capital grants. These have been reclassified which has resulted in the grant income balance increasing.	yes

C. Audit Adjustments – 2020/21 disclosure notes amended by the authority

Disclosure amendments identified	Adjusted
Note 11a Property Plant and Equipment – The Council has amended the Net Book Value as at 31 March 2021 from £232.374m as per version one of the accounts to £234.584m as at version three, this is an increase of £2.209m. This is due to the following: • Additions have increased by £0.143m this is due to a decrease in Council Dwellings of £0.040m and an increase of assets under construction of £0.183m. • Revaluations increase/decrease through Revaluation Reserve has increased by £2.066m this is due to an increase within Other Land and Buildings. This is due to the Council not providing revaluations within version one of the accounts. This is a result of our audit challenge that revaluations were revisited. • Other movements in cost of valuation have decreased by £0.892m. This is due to a decrease within Other Land and Buildings this has then been debited to Other movements in depreciation and Impairment. • The disclosure in the draft accounts contained a number of incorrect movements relating to reversals out of reserves for assets revalued in the period. These have been amended; there is no impact on carrying balances in the statements or disclosures.	yes
Note 16 Financial Instruments – The Council has amended the accounts for Financial assets, the total classed as Financial Instruments as at version on for Carrying Value was £24.698m and the amount as at version three is £26.811m, this is an increase of £2.113m. For Fair Value, the value as at version one is £24.698m and as at version three is £26.111m however, the valuer as at version one has been incorrectly summed and should have stated £23.998m. Therefore, the movement is an increase of £2.113m, this is due to the movement of £2.113m for amortised cost. The Council has amended the accounts for Financial liabilities, the total classed as Financial Instruments as at version one for the Carrying Amount was £96.656m as at version three this is £97.237m, this is an increase of £0.581m. This is due to Amortised Cost within Current Financial Liabilities increasing by £0.581m. The total classed as Financial Instruments as at version one for Fair Value was £134.529m and the amount as at version three is £122.102m this is a decrease of £12.427m. This is due to a decrease in total financial liabilities of £0.581m and an increase of £13.008m within not classed as financial instruments. FV of long terms debtors was stated as nil but should have been £700k. This has been amended	yes
Note 18 Debtors – The Council has amended the accounts from £19.174m to £19.479m an increase of £0.305m for Debtors. However, within the note, there has been a reclassification between Other Local Authorities and Other Debtors, and this movement changed the mix of the note by £5.012m. This was due to incorrect items originally included within the other local authorities category in version 1 of the draft accounts when they should have been within other debtors.	yes
Note 20 Creditors – The Council has amended the accounts by a decrease of £0.581m. This is due to an increase in Other Creditors relating to a Cash Lodgments Account recoded from debtors, a journal adjustment, and the insertion of a new creditor.	yes
Note 21 Provisions – Although the bottom-line has not changed, the Council has reclassified £0.108m from within 'Amounts Used' and moved this to within 'Additional Provisions made.'	yes
Note 23 Unusable Reserves – The Council has amended the accounts from £72.637m as at version one to £74.703m as at version three of the accounts, this is an increase of £2.066m. This is due to the increase made wholly within the Revaluation Reserve due to the increase in the 'Surplus non-current or deficit on the revaluation of assets not posted to the Surplus or Deficit on the Provision of Services'. Although the bottom-line has not changed, the Council has reclassified the value of £0.396m for the 'Application of grants to capital financing from the capital grants unapplied account' and debited £0.272m to 'Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement' and £0.124m to 'Capital expenditure charged against the General Fund and HRA balances'.	yes

C. Audit Adjustments – 2020/21 disclosure notes amended by the authority

Disclosure amendments identified	Adjusted?
Note 24 Cash Flow Statement Operating Activities – The Council has amended the accounts from £19.942m to £20.421m this is an increase of £0.479m. However, within the note there has been a reclassification of the following items: • Change in Creditors has increased by £1.873m • Change in Debtors has decreased by £1.146m • Carrying amount of non-current assets sold or disposed increased by £0.005m. • Other non-cash items charged to the deficit on the provision of services has increased by £0.249m As well as this, the capital grants for non-current assets charged through revenue has decreased by £4.631m leading the non-cash movements to decrease by this amount also.	yes
Note 25 Cash Flow Statement Investing Activities – The Council has amended the accounts from -£0.039m to £4.164m, this is an increase of £4.303m. This is due to a decrease in the purchase of property plant and equipment of £0.093m and Other Receipts from Investing Activities increasing by £4.396m.	yes
Note 27 Expenditure and Income Analysed by Nature – The Council have amended the total expenditure value from £99.288m as at version one of the accounts to £89.385m as at version three. This is a decrease of £9.903m. This is due to the following movements: • Employee benefit expenses has increased by £0.073m • Other Services Expenses has increased by £3.645m • Support Service Recharges decreased by £16.869m • Depreciation, amortisation and impairment increased by £1.014m • Revenue Expenditure Funded from Capital was debited into this note as at version three therefore increasing the balance by £2.536m. • Interest payments increased by £1.469m. • Disposal of Assets decreased by £1.771m. The Council has amended the total income value from £97.507m as at version one of the accounts to £87.452m as at version three. This is a decrease of £10.055m. This is due to the following movements: • Fees, charges and other income' has decreased by £9.795m • Interest and investment' income has increased by £2.311m • Income from Council tax and NDR has decreased by £8.711m • Government Grants and Contributions has increased by £7.911m. In total, the value for 'Surplus or Deficit on Provision of Services' has increased by £0.152m.	yes
Note 31 External Audit Costs – The Council have amended the total audit fee value from £0.082m as at version one to £0.116m as at version three, this is an increase of £0.034m. This is due to the following amendments: • Fees payable in relation to the audit of the accounts and inspection fees has decreased by £0.029m. This is the scale fee published by PSAA within the audit plan. • Fees relating prior year has increased by £0.063m, this was identified by the audit team as at version one of the accounts, the Council has subsequently amended before providing version three. To note, the external audit fee will be amended again by the Council when the fee is finalised, see Appendix D.	yes

C. Audit Adjustments - 2020/21 disclosure notes amended by the authority

Disclosure amendments identified	Adjusted?
Note 32 Grant Income – The Council has amended the total for non ring-fenced government grants from £6.783m as at version one to £11.995m as at version three, this is an increase of £5.212m. This is due to the Council debiting Capital Grants and Contributions of £5.200m to Grant Income and there has also been an increase of £0.012m from S31 Business Rates & Council tax grants. The total amount credited to services increased from £31.590m as at version one to £34.288m as at version three, this is an increase of £2.698m. This is due to the following: • An increase of £0.079m in 'Capital Grants', • An increase of £4.485m in the 'Corona Virus Grant' • A decrease of £1.708m in 'Other Grants and Contributions'. In addition to this income, agency grants of £32.711m were received in the period although these were not disclosed with the appropriate memorandum disclosures within the draft financial statements. These disclosures have been included in the final accounts.	yes
Note 34 Capital Expenditure and Capital Financing – The Council has amended the closing capital financing requirement from £103.959m as at version one of the accounts to £104.327m as at version three, this is an increase of £0.368m. This is due to the following: • Assets under construction increased by £0.183m • Government Grants and Other Contributions decreased by £0.124m. • A new line for 'Major Repairs Reserve' was added in version 3 which equated to £3.386m • A removal of a line from version 1, 'Capital Receipts Reserve – developments' which equated to £0.470m • Direct revenue contributions increased by £3.510m • Minimum revenue position decreased by £0.368m – the Council omitted the HRA debt repayment within version one. The Council have amended the change in capital financing requirement from £1.327m as at version one to £1.642m as at version three this is an increase of £0.315m. This is due to the following: • The increase in underlying need to borrow decreased by £0.434m • From version one of this section, 'movement in other long-term liabilities', 'voluntary set aside' and 'minimum revenue provision' were removed in version three, these summed to £0.749m. To note, in version one of the accounts, the Council incorrectly displayed change in capital financing requirement as -£1.327m instead of £1.327m.	yes
Housing Revenue Account - From Version one to Version three of the accounts, the total expenditure for 2020/21 has decreased from -£24.815m as at version one to -£25.299m as at version three this is a decrease of £0.485m due to the line in the note being separated with a new line within income, 'Contributions towards expenditure' which has meant the total income has then increased by £0.485m and the 'Supervision and management' line within expenditure has decreased by £0.485m. The reclassification is due to the way the HRA statement has been prepared - every detail code is allocated to one category in the HRA statement; 5065 is supervision & Management. The costs on 6471/5065 were identified as supervision and management after the had closed the ledger a manual adjustment was made to the HRA statement. The costs are primarily electrical testing, along with some response and void repairs.	yes

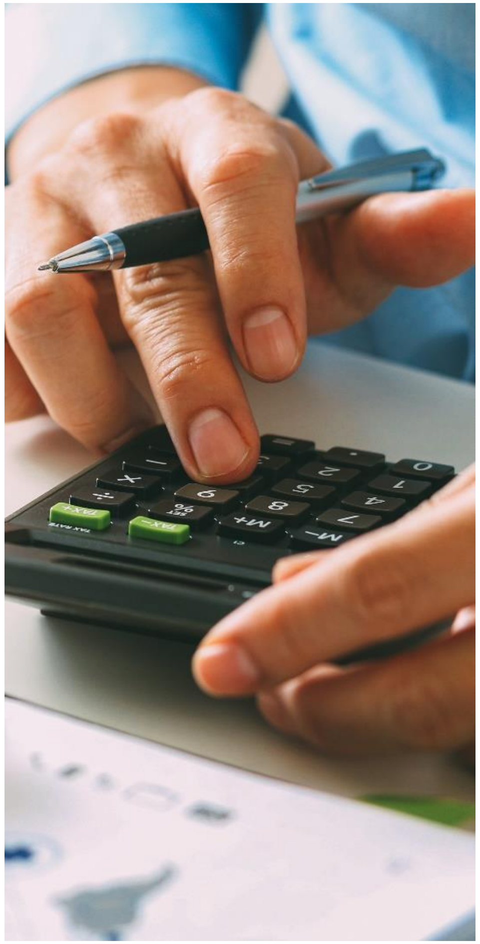
C. Audit Adjustments - 2020/21 disclosure notes amended by the authority

Disclosure amendments identified	Adjusted?
Collection Fund Statement - In Version one of the accounts, 'Contributions to previous year deficits' was £0.946m for Council tax and the 'income due in year' had a balance of £69.645m however within version three of the account, the 'income due in year' has been debited £0.946m to make a balance of £70.591m where contributions in previous years deficits have been credited £0.946m, making the balance nil. This is because the £0.946m was an initial error and relates to Council tax hardship payment that is a GF item and not a collection fund item. This was incorrectly included within 'Contributions to previous year deficits' within version one of the accounts. There is also a decrease of £3.196m in the closing fund balance which is simply due to the incorrect summation of totals.	yes
Note 1 EFA Outturn - Revenue outturn reported in the narrative report is not consistent with the first column of the EFA. The EFA note has been amended to reconcile back to the Narrative Report.	yes
Estimation Uncertainty - The disclosures of estimation uncertainty do not meet the requirements of IAS 1 to: Identify the asset, liability affected and provide the carrying amount, explain the assumptions that give rise to the uncertainty and provide a sensitivity or range of outcomes that support the assertion that this has a significant risk of a material effect. Amendments have been made to this disclosure to address these omissions but the estimation uncertainty disclosure relating to PPE and Investment Property valuation estimates does not fully detail carrying values or specify specific assumptions subject to uncertainty. We do not consider these omissions to be material to the accounts considering the detailed PPE, Fair Value and Investment Property disclosures later in the accounts.	partially
Note 37 Pension - We identified a material misstatement within the Pension disclosures relating to the £4.8m payment in advance of employer contributions for 2021/22 and 2022/23. The relevant notes have been adjusted to appropriately recognise this pension asset.	yes
Housing Revenue Account - HRA income and expenditure account reports the net cost of HRA services in the CIES to be £1.034m surplus. But this is inconsistent with the CIES which reports HRA to be £377k surplus. The Council have amended this and the figure are now correct and consistent at £360k	yes
Note 33 related party disclosures – should report the value of the income and expenditure transactions and balance between the Council and the subsidiary company. The Council have amended this.	yes
Note 38 Capital Financing - The MRP as at v1 was £279k is reported as £617k. The previous year MRP was £2,636k and therefore for 20/21 there has been a significant decrease to the MRP of £617k, this is due to due to a VRP of £2,366 relating to Westgate Site Development that required borrowing but on sale the capital receipt was applied to write down the CFR i.e. borrowing. A review of the Cabinet report for 19-20 MRP and 20-21 MRP for information does not show any changes in the MRP policy adopted and all are in line with the guidance in terms of maximum asset lives. The policy does say 'The value of useable capital receipts reserve will be deducted from the CFR when calculating the MRP', however, despite this aspect of the policy not being appropriate, when calculating the CFR as seen within the MRP review, this is not actually deducted. This is line with guidance that capital receipts are not deducted. We have reviewed the CIPFA code and concluded that the Council have appropriately followed the Asset Life Method to calculate MRP. On assessment, MRP as a proportion of CFR is 0.59% and this is considerably low.	yes

C. Audit Adjustments – 2020/21 disclosure notes amended by the authority

Disclosure omission	Adjusted?
Note 11a Capital Commitments – The disclosure currently reads the following 'At 31st March 2021 the Council had entered into a number of contracts for the construction or enhancement of non-current assets in future years budgeted to cost £12.182m . Similar commitments as at 31st March 2020 were £2.008m . The entirety of this commitment relates to Council Dwellings works including, window replacement, roofing, structural £10.546m. We recommended that this is amended to "At 31st March 2021 the Council had entered into a number of contracts for the construction or enhancement of non-current assets in future years budgeted to cost £12.182m. Similar commitments as at 31st March 2020 were £2.008m. The largest commitment relates to works at Skelmersdale Town Centre of £10.546m.'	Yes
Note 31 External Audit Costs – The prior year audit fee of £0.0067m has not been disclosed separately. The current year audit fee will need to be changed to reflect the final fee. We recommended that the prior year audit fee is disclosed separately to the correct fee. In addition, consultancy fees for work outside the Local Audit Act were included in the group audit fee. This is contrary to Code requirements and has been amended.	Yes
Accounting policies – The accounting policy on HRA valuation does not reference the option of performing desk top valuations. We recommended that this included within the accounting policy disclosure in relation to HRA valuation.	Yes
Accounting policies – The accounting policy on Employee benefits – for post-employment benefits, the policy lacks key details about the accounting for the components of the movement in the net pension liability. We recommended that the accounting policy includes more detail about the components of the movement in the net pension liability.	Yes
Accounting policies – The accounting policy on Financial Instruments - there is no mention of the accounting for interest, or of ECL. We recommended that the accounting policy include more detail for interest and expected credit loss.	Yes
Accounting policies – The accounting policy on Accounting Standards issued but not yet adopted - Refers to amendments to the Code for 2020/21 – that is not relevant to this disclosure. The items referred here are already in effect and reflected in the Code for 2020/21. We recommended that the accounting policy is updated to reflect the correct disclosures.	Yes
Group accounts - included audit/consultancy fees incorrectly, Amended.	Yes

C. Audit Adjustments – unadjusted misstatements 2020/21

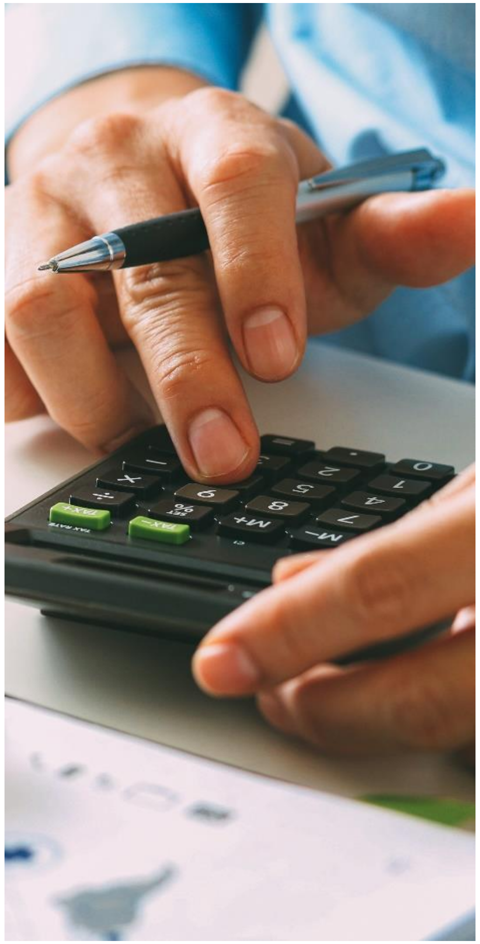


Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Two PPE additions when tested were incorrect. For one the work was not carried out and for another there was no evidence to support the payment as the officer involved had left the Council. The total value of both items was £0.06m. Based upon an extrapolation over the population of the additions sample, PPE additions may be overstated by £0.699m.	699	(699)	Matter immaterial to the results of the Council and its financial position at the year-end.
From testing a sample of invoices to confirm completeness over expenditure, it was found that one item had been over-accrued for £0.254m. As this is not work on a specific balance within the financial statements we are unable to extrapolate.	(254)	254	Matter immaterial to the results of the Council and its financial position at the year-end
When testing a sample of creditors, it was found that one item had been over-accrued for £0.029m. Based upon an extrapolation over the population of the creditors sample, creditors may be overstated by £0.204m.	(204)	204	Matter immaterial to the results of the Council and its financial position at the year-end
When testing a sample of Grants Received in Advance, a sample of two Commuted Sums have been tested. The authority are unable to provide third party documentation, and made the audit team aware that for all Commuted Sums there is no supporting evidence.	144	144	Matter immaterial to the results of the Council and its financial position at the year-end
Overall impact	£385	(£385)	

C. Audit Adjustments – prior year unadjusted misstatements 2019/20



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements. Note that none of the issues identified below in 2019/20 impact the 2020/21 audit as we carry out work on revaluations annually, so the issues are replaced with any findings relating to 2020/21.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The Council has carried out a full review of the valuation of investment properties 2019/20. These are valued at 1 April 2019. The Code states that "The fair value of investment property shall reflect conditions at the end of reporting period" that is, 31 March 2019. We have used indices to assess the reasonableness of managements estimate that suggested on average the Council's investment properties were overvalued by around £0.406m.	-406	-406	-406	Matter immaterial to the results of the Council and its financial position at the year-end.
Overall impact	-£406	-£406	-£406	

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The Council has not revalued operational land buildings but has used local data to determine whether the estimate of value at the year-end is materiality correct As part of our work, we have used indices to assess the reasonableness of managements estimate that suggested on average the Council's operational land buildings are undervalued by £0.485m.	485	485	485	Matter immaterial to the results of the Council and its financial position at the year-end.
Overall impact	£485	£485	£485	

D. Fees

Please see below our fees to date charged for the audit and provision of non-audit services.

Audit fees	**Proposed fee**	**Final fee**
Council Audit	£153,884	TBC
Total audit fees (excluding VAT)	£153,884	TBC

Non-audit fees for other services	**Proposed fee**	**Final fee**
Certification of Housing Benefit Claim	£19,000	£19,000
Certification of Housing capital receipts grant	£4,000	£4,000
Total non-audit fees (excluding VAT)	£23,000	£23,000

The initial fee for the audit is that informed to you in the Audit Plan in July 2021, this was £62,844. It was then discussed with the S151 Officer that an additional £42,000 will be added. We advised the Committee in our reports of May, July and October 2022 and January, May 2023 that the delay in producing the financial statements on time, and the other issues noted in that update report would impact the audit fee for the 2020/21 year and that there would again be a substantial increase.

Due to the issues identified as part of our value for money work (3 significant weaknesses), there has been significant additional work needed to investigate and report on these issues that also has an impact on the fee.. We have needed to bring in specialist colleagues to complete the work which is a cost to the audit.

In addition, the issues noted within this Report about the extra work required to revisit the financial statements that changed materially and to revisit all work undertaken to date has led to additional delays. The number of meetings and correspondence required to progress this audit has been time intensive.

Due to the issues noted above, there is a further increase of £49,000. This brings the total fee to date to £153,884. All increases in audit fees will need to be approved by Public Sector Audit Appointments (PSAA). The final fee is to be confirmed.

The financial statements include fees of £63k for the financial statements audit – see first paragraph above - and £19k for grants (Housing benefit). Pooled Housing Capital Receipts of £4k was only agreed and the work performed in 21/22 so falls into the following year in terms of the financial statements.

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