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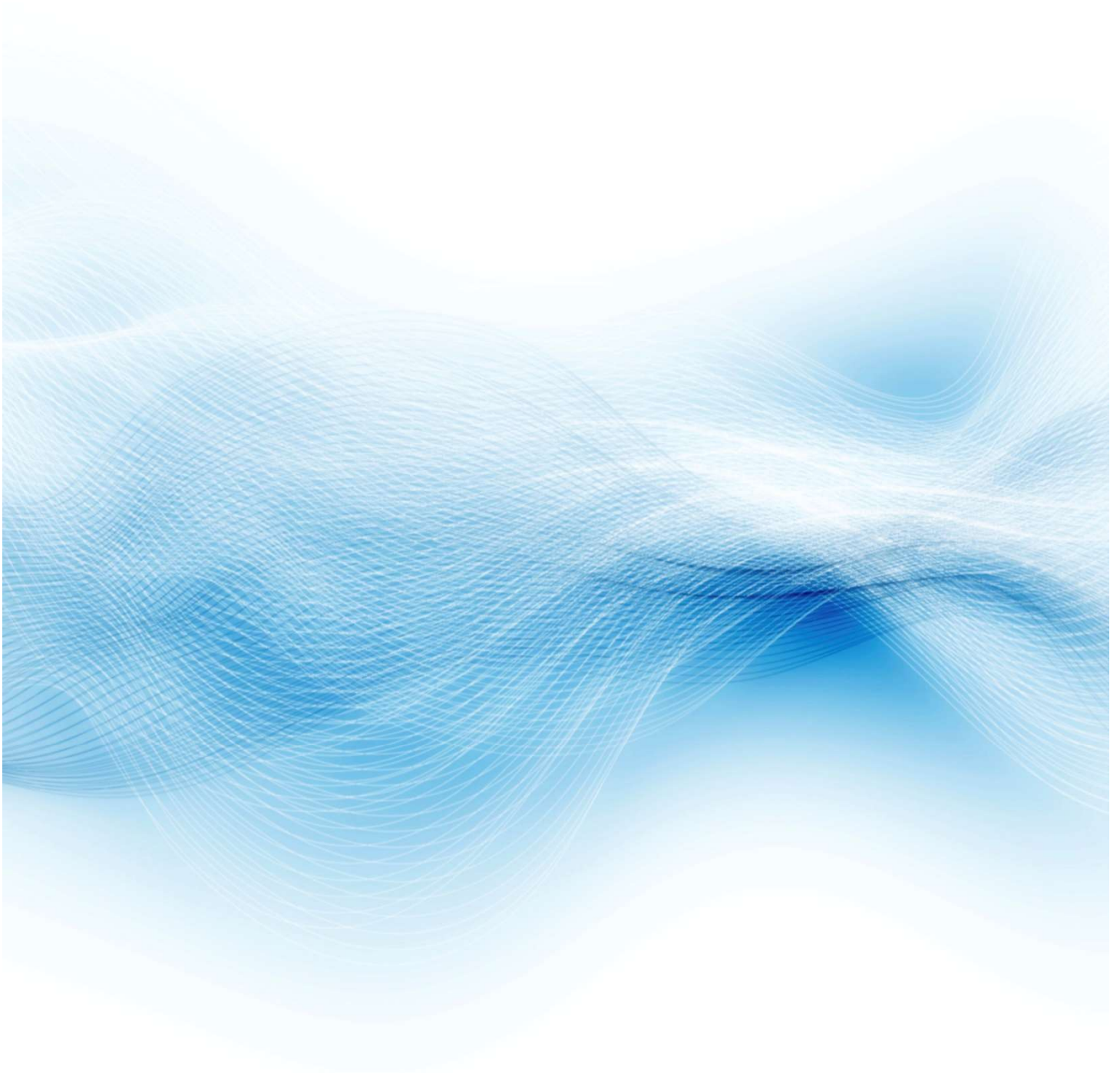
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# Audit Completion Report

Ashfield District Council  
Year ending 31 March 2020





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## Audit Committee

Council Offices  
Urban Road  
Kirkby in Ashfield  
Nottinghamshire  
NG17 8DA

9 October 2020

Dear Members

### Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated February 2020 which we presented on 10 February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0115 964 4744.

Yours faithfully



David Hoose  
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VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Ashfield District Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 10 February 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of property, plant and equipment and assets held for sale
- Valuation of net pensions liability

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the required deadline.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no such objections or questions. Further details on the exercise of our wider powers are provided in section 2.

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# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Whole of Government Accounts (WGA)	●	NAO Group Instructions for local authority 2019/20 audits are not yet available and WGA returns and audit certificates cannot be issued at the present time.
Audit Quality Control Completion Procedures	●	Our audit work is undergoing final stages of review by the Engagement Lead. In addition, there are residual procedures to complete, including agreeing the expected amendments to the final Statement of Accounts, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.
		No material issues have been identified from the work carried out to date.
Pensions	●	Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report over the procedures we are seeking assurance over for our consideration.
Property, plant and equipment	●	We identified an adjustment required to the financial statements in regards to Investment Property valuations. We are consulting on the form of the audit opinion wording that should be used against the backdrop of COVID-19. We currently expect that an adjustment is needed to the financial statements in relation to 'material uncertainty' in property valuations caused by Covid19 and this in turn will lead to an emphasis of matter paragraph in the audit opinion. We say more on this at page 6.

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit and Accounts Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we issued our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £1,740k for the Council's single entity financial statements using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1,715k for the Council's single entity financial statements, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Accounts Committee), at £51k for the Council's single entity financial statements based on 3% of overall materiality.

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## 2. SIGNIFICANT FINDINGS

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 10 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

#### Significant risk

#### Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of property, plant and equipment

Land and buildings are a significant balance on the Council's balance sheet.

The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements.

Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.

This risk covers:

- HRA Council Dwellings
- Investment Properties
- Other PPE related assets

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### How we addressed this risk

We addressed this risk through performing the following audit work:

- critically assessed the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- considered whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- assessed whether valuation movements are in line with market expectations by using third party information provided by Gerald Eve to provide information on regional valuation trends;
- critically assessed the treatment of the upward and downward revaluation movements in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- critically assessed the approach that the Council adopts to ensure that assets are not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and
- tested a sample of items of capital expenditure, disposals and reclassifications (where balances are material) to confirm that the amounts used and accounting treatment applied is appropriate in line with the CIPFA Code of Practice

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### Audit conclusion

The procedures we have undertaken have not identified to date any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention except for one adjustment made in regards to Investment Property revaluations.

We identified a total of 2 assets, were incorrectly accounted for as gross (should be accounted net of stamp duty and legal costs) in regards to the upward/ downward revaluation movement at year-end. Resulting in an overstatement of assets as at 31<sup>st</sup> March 2020. Discussions were held with management and it was concluded that an adjustment of £581k was required. Refer to page 13 for the adjustments made.

At the outset of the Covid19 outbreak, set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date. The Council's valuers have followed guidance issued by the Royal Institute of Chartered Surveyors and as expected their valuation reports conclude that, due to the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has currently only been disclosed in the Critical Judgement note and an adjustment is required to the PPE Note for consistency. We expect, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report at Appendix B includes the 'emphasis of matter' paragraph we expect to include.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of net pensions liability

The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.

The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.

Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

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### How we addressed this risk

We addressed this risk through performing the following audit work:

- critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary;
- liaised with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- tested payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

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### Audit findings to date

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements.

Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report over the procedures we are seeking assurance over for our consideration and how these findings may impact our audit opinion. An update will be provided to members as part of our Annual Audit Letter.

In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sergeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 was likely to have led to an overstatement of the pension fund liability as at 31 March 2020. Management has obtained an updated notification from the Actuary for these matters and no adjustment is required to the financial statements.

A second emerging issue is the Goodwin case that was brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. MHCLG have commissioned Government Actuary Department to undertake a review of the potential impact and at a local level, there is an additional risk to evaluate as to whether the scheme is misstated. Management has liaised with the Pension Fund and its actuary and taken the view that this matter would not have a material impact on its estimated net pension liability valuation and it is not reflected in the Statements.

We will update the Audit Committee if any significant reporting issues emerge from these areas.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Management judgement

Provision for the impairment of doubtful debts

#### Description of the management judgement

Given the current economic climate, there is a level of uncertainty to the appropriateness of the Council's doubtful debt provision.

This could result is an overstatement of receivables.

#### How our audit addressed this area of management judgement

We addressed this area of management judgement through performing the following audit work:

- reviewed the level of reported debt as at 31 March and consider the implications for any material change;
- ensured that management's methodology for calculating the provision has been consistency applied and is in line with the requirements of the Code;
- tested the collectability of both significant and a sample of other non-significant debtor balances; and
- re-performed the basis of the calculation for the impairment of debtors.

#### Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

### Management judgement

Business rate appeals provision

#### Description of the management judgement

Due to the timing of appeals and the process itself, management have to make an assumption over the likelihood of these appeals being successful. Therefore, the provision contains a level of judgement and associated risk.

This could result an understatement of liabilities.

#### How our audit addressed this area of management judgement

We addressed this area of management judgement through performing the following audit work:

- reviewed the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries;
- assessed whether the provision has been calculated and recorded in accordance with the Council's accounting policy;
- assessed whether the amount provided as at 31 March is appropriate, taking in to consideration the Council's anticipated actual liability; and
- assessed whether the reconciliation of movements during the period and description of the nature of the provision have been adequately disclosed in the financial statements.

#### Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Management judgement

Minimum revenue position (MRP)

### Description of the management judgement

Local authorities are required each year to set aside part of their revenues as a provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements.

The amount set aside is not prescribed and statutory guidance is available for the Council to adopt and interpret.

Therefore, the provision contains a level of judgement and associated risk.

### How our audit addressed this area of management judgement

We addressed this area of management judgement through performing the following audit work:

- reviewed the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance and assess for any change;
- assessed whether the provision has been calculated and recorded in accordance with the Council's policy;
- assessed whether the amount provided for the period is appropriate, taking in to account the Council's Capital Financing Requirement; and
- confirmed that any charge has been accounted for in accordance with the Code.

### Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council in advance of the 31 August deadline and were of a good quality. These were supported by working papers of a good standard and represents a significant achievement by the finance team.

### Significant matters discussed with management

Due to the impact of Covid-19 on the Council's business the following additional financial reporting challenges requiring additional audit procedures and testing have been noted and discussed with management:

- **Valuation Uncertainty**  
RICS guidance has been issued which indicates that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date.
- **Going Concern**  
The Council's going concern status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of financial statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of Covid-19, means an additional level of scrutiny is required over the going concern assertion in 2019/20. In particular management's explicit considerations of whether the financial statement disclosure for going concern should more explicitly describe the impact of Covid-19.

This is also a matter for consideration as part of our work on the value for money conclusion.

- **The Charlecote Pheasant Hotel**  
We have discussed the insolvency of Shearing's with management and the potential impact this may carry on the financial statements and VFM conclusion. No adjustment has been made to the financials', however a Post Balance Sheet Event disclosure has been included to ensure full transparency.
- **Sources of estimation uncertainty, including pension fund assets and liabilities**  
The Council is required to provide disclosures regarding the key sources of estimation uncertainty that management has made in preparing the financial statements, specifically those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the ensuing financial year.
- **Pensions: McCloud and Goodwin**  
In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sergeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 is likely to have led to an overstatement of the pension fund liability as at 31 March 2020.  
The Goodwin case brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. MHCLG have commissioned Government Actuary Department to undertake a review of the potential impact and at a local level, there is an additional risk to evaluate as to whether the scheme is materially misstated  
The Council is required to provide disclosures regarding the key sources of estimation uncertainty that management has made in preparing the financial statements, specifically those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the ensuing financial year.

We have therefore needed to consider the implications arising from the above issues as part of our testing, conclusions and reporting.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties.

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us. Remote working has meant the audit is not as efficient as we would like or expect, including an extended period of query resolution. This is consistent across all our clients and a reflection of the impact of Covid19.

Management have been under substantial pressure to deliver against many competing priorities since March 2020 and we want to extend our thanks to the finance team for their positive support and co-operation during the course of the audit.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

We have not received any questions or objections.

### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

No new deficiencies have been identified as part of the 2019/20 financial audit, however, one prior year control deficiency remains open and still needs to be addressed. See below for further information.

#### Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year:

Description of deficiency	Potential effects	Recommendation made	Management response	Mazars commentary
Through our bank testing it was identified that the working paper to support the reconciliation of the cash figures could not be immediately reconciled. This resulted in a difference at year-end between bank accounts and ledger on the supporting working paper by £84. The Council has since identified the reconciling item but the exercise should be completed at the year-end.	Working papers which don't reconcile can cause delays.	The Council should ensure that supporting working papers agree to the bank and ledger and that reconciling items are investigated promptly.	Agreed.	No issues have been identified through our testing of the 2019/20 cash figures and supporting reconciliation/s.  This control recommendation can now be closed.
Due to the local elections in May, five former Members failed to return their related party declarations.	Related party declarations could be incomplete.	Whilst there are extenuating circumstances in an election year, the Council should ensure that it has all related party returns in future years.	Agreed.	No issues have been identified as part of our current year work. All declarations have been received and therefore, this control recommendation can now be closed.
During our property, plant and equipment testing, we identified some land that the Council owns but that was not formally registered with the land registry.	The Council is open to disputes over unregistered land.	The Council is undertaking an exercise to register all its land with the land registry and should conclude this as soon as possible	Agreed.	Unfortunately, this control recommendation has not been achieved, due to the recent COVID19 pandemic, the exercise has been halted.  We have undertaken alternative procedures to gain the assurance required, however, this will continue forward and be monitored throughout the 2020/21 financial audit.

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## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £51k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2019/20

We have not identified any misstatements that management has decided not to adjust.

### Adjusted misstatements 2019/20

We identified one misstatement above our trivial threshold in relation to Investment Property revaluations, that management has agreed to amend. This amendment decreased the valuation of investment properties in the balance sheet by £581k, which passes through the Comprehensive Income & Expenditure Statement (CIES) but is reversed out in Movement in Reserves Statement (MIRS) to the Capital Adjustment Account and Revaluation Reserve in the Balance Sheet, and therefore does not impact on the in-year surplus for 2019/20.

For completeness we report all of these in the table below:

	Comprehensive Income and Expenditure	Movement in Reserves Statement	Balance Sheet Fixed Assets	Balance Sheet Unusable Reserves
Impairment and Revaluation Adjustment				
Reverse Impairment and Revaluation for funding basis				

### Disclosure amendments

In addition to the above numerical errors that relate directly to the primary statements or their related notes, our audit also identified a small number of errors and adjustments in relation to other disclosures. These have been discussed with management who have agreed to the amendments and includes:

- a paragraph has been included within the draft financial statements in relation to Material Uncertainty around the Council's Property, plant and equipment as at 31<sup>st</sup> March 2020;
- the Investment income note has been updated to reflect the actual position of the Council;
- at the time of the production of the draft statements, the Council used estimates in regards to the Collection fund. Actual's have since been received and the statements updated accordingly;
- a comparative figure in Note 17e has been updated to reflect £0, in line with the 2018/19 audited financial statements;
- figure/ amount contained in Note 26d has been split/ analysed to ensure the data is more reflective; and
- the paragraph has been updated within the financial statements in relation to the insolvency of Shearing's (Post Balance Sheet Event), ensuring full transparency to reader's of the accounts.



## 5. VALUE FOR MONEY CONCLUSION

### Introduction

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

### Our approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2019/20 financial year, we identified the following significant risks to our VFM work:

- Financial Sustainability – Sustainable resource deployment
- Commercialisation of Investment Properties strategy – Informed decision making

### Our overall Value for Money conclusion

We have completed our procedures and based on the work performed, we are satisfied that the Council's arrangements, for the year ended 31 March 2020, are adequate. As set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.

Description, planned response and work undertaken to date has been detailed on the following pages.



## 5. VALUE FOR MONEY CONCLUSION

Risk:	Financial Sustainability Sustainable resource deployment
Description	<p>The continued financial pressure that all Local Government bodies are facing; both locally and within the wider sector are well documented. There is an increased/ significant pressure on bodies to identify cost saving measures to ensure a balanced budget, whilst dealing with a significant decrease in grant funding and an increase in service demand.</p> <p>The Council have reviewed their budgets under their current medium term financial plan arrangements with the expectation of obtaining a balanced budget for 2020/21, whilst currently identifying a gap for the following financial years (although the Council has strategies in place going forward to address this gap).</p> <p>The budget is based on a number of assumptions and holds a level of risk to whether the Council will be able to generate additional revenues or deliver any cost savings that are crucial in order to meet and deliver the associated budget gap.</p>
Planned response	<p>We will critically review whether the Council has arrangements in place to ensure financial sustainability, specifically that the Medium Term Financial Plan (MTFP) has duly taken in to consideration the latest available information on factors such as:</p> <ul style="list-style-type: none"> <li>• funding reductions;</li> <li>• business rates reform;</li> <li>• fair funding;</li> <li>• salary and general inflation;</li> <li>• demand pressures</li> <li>• restructuring costs; and</li> <li>• sensitivity analysis given the degree of variability in the above factors.</li> </ul> <p>We will review the delivery of savings in 2019/20 and progress to identify savings for 2020/21 and future financial years, to understand and evaluate the financial impact on the Council's revenue reserves.</p> <p>We will also review any strategy's that the Council have in place to reduce the budget gap and ensure that these appear reasonable and in line with the Council's expected activities.</p>
Results	<p>We performed the tasks in line with our planned response. We also reflected on the impact of Covid19, which was limited to the last two weeks of March 2020.</p> <p>The Council's revenue outturn for 2019/20 was a £2,666k underspend. Mainly through £4,330k additional income, offset by £1,721k additional spending on supplies and services. The variance on income was mainly through additional government grants, such as the Apprenticeship Levy and Rapid Rehousing Pathway, that will be matched to expenditure in 2020/21. Expenditure variances were mainly caused by contractor payments linked to additional grant income during the year. The Council's financial performance, as laid out in the 2019/20 financial statements, led to:</p> <ul style="list-style-type: none"> <li>• General fund reserves increasing from £6,116k to £6,713k</li> <li>• Earmarked revenue reserves also increasing, from £7,885k to £9,670k</li> <li>• The Council's Housing Revenue Account also remains positive with reserves of £36.871k as at 31 March 2020.</li> </ul> <p>The Council's MTFP was updated in February 2020 as part of the pre-Covid19 budget for 2020/21. It showed</p> <ul style="list-style-type: none"> <li>• <i>Projected general fund reserves for 2020/21 will be £8,842k, which sees a net contribution to reserves of £689k</i></li> <li>• <i>Estimated funding gap for 2020/21 currently stands at £nil</i></li> </ul> <p>The Council recognises the need to revisit the MTFP as a result of Covid19, including the profiling of expenditure reduction and income generation schemes.</p>
Conclusion	<p>We are satisfied that the Council's arrangements are adequate.</p>

## 5. VALUE FOR MONEY CONCLUSION

Risk: Commercialisation of Investment Properties strategy Informed decision making	
Description	<p>The Council has identified the use of its capital and treasury activities as a way of establishing a new income stream and in turn obtaining additional revenue over a number of financial years. The Council has made a number of material purchases over the past 12 months (worth a total £39m), with the potential investment of around £23m in 2020/21 in addition to what has already been spent (£3.3m spent to date for 2020/21). Whilst the investment strategy is projected to deliver financial returns for the Council (both revenue and capital), the strategy represents a significant monetary value and exposure to risk that may have not been anticipated or carefully evaluated.</p> <p>Risk factors include:</p> <ul style="list-style-type: none"> <li>• insufficient commercial investment experience, including both the property and the wider market itself; and</li> <li>• poor investment decisions due to the controls and processes currently in place (i.e. Due Diligence).</li> </ul>
Planned response	<p>We will critically review whether the Council has:</p> <ul style="list-style-type: none"> <li>• exposed itself to too much financial risk through its borrowing and investment decisions;</li> <li>• ensured that it has been mindful of changes in the accounting and regulatory environment when undertaking any sensitivity analysis as part of its investment decision making process;</li> <li>• ensured that an appropriate level of legal and due diligence work has been undertaken prior to making specific investment decisions;</li> <li>• responded appropriately to the revised Statutory Guidance on Local Government investments, to ensure that there is appropriate transparency to understand the exposure that the Council has a result of its borrowing and investment decisions; and</li> <li>• ensured that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.</li> </ul>
Results	<p>We performed the tasks in line with our planned response, which included a substantial level of professional challenge to management over the arrangements it had in place during 2019/20. We also reflected on the impact of Covid19, which was limited to the last two weeks of March 2020. As part of our findings, we noted:</p> <ul style="list-style-type: none"> <li>• Original Commercial property investment strategy has been updated for 2019/20. Document confirms strategy that was taken to Council and approved in September 2019. Strategy has been updated to take in to consideration new guidance available in the sector. Properties purchased in 2019/20, were purchased after the approval of this strategy.</li> <li>• The Council updated its yield net percentage when assessing the commercial return on a potential investment. The yield was reduced 1% to reflect the increase in borrowing rates from PWLB. This reduces the built0in risk premium to any investment, which has been, and will continue to be, stress-tested by Covid19.</li> <li>• The Audit Committee received training on Treasury Management by the external treasury management advisors Link in December 2019. The Audit Committee also receive performance reports on the Commercial Properties and both Audit Committee and Cabinet received reports on the investments strategy and performance indicators established for 2020/21 in February 2020 and had the opportunity to ask questions.</li> </ul> <p>Our considerations and findings were also discussed at a national consistency panel to provide an additional level of rigour. We are in the process of finalising these results and the impact where applicable to the VFM conclusion, we will update members as part of our Annual Audit Letter.</p>

## 5. VALUE FOR MONEY CONCLUSION

Risk:	Commercialisation of Investment Properties strategy    Informed decision making
Conclusion	<p>We are satisfied the Council's arrangements for 2019/20 are adequate.</p> <p>We note, however, that the level of risk attached to the use of public monies in following this strategy has significantly increased for 2020/21 and onwards. The economic uncertainty caused by Covid19 increases the risk profile attached to the Council's strategy. Further, there has been wider criticism and comment on how local authorities have pursued this strategy, including a specific review by The Public Accounts Committee (13 July 2020), which expressed significant concerns over local authority investments in commercial property and has made a series of recommendations, including:</p> <ul style="list-style-type: none"><li>• Further strengthening of guidance and the prudential framework</li><li>• Further strengthening of local governance arrangements.</li></ul> <p>We have therefore made a recommendation for the Audit Committee to track and monitor implementation of.</p>
Recommendations	<p>The Council should revisit its commercial investment strategy to take account of the economic impact of Covid19, the potential changes in governance and regulation, and make a formal decision to acknowledge its risk appetite given the changing circumstances.</p>

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

[Date]

Dear Sirs

### Ashfield District Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Ashfield District Council (the Council) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Corporate Finance Manager (& Section 151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

#### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

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## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Corporate Finance Manager (& Section 151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law.

I have disclosed identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

### Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

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## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Covid-19

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements (if applicable)

I confirm that the effects of the uncorrected misstatements identified at the appendix to this letter are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of Ashfield District Council

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Ashfield District Council ('the Council') for the year ended 31 March 2020, which comprise the Council Comprehensive Income and Expenditure Statements, the Council Movement in Reserves Statements, the Council Balance Sheets, the Council Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Ashfield District Council as at 31<sup>st</sup> March 2020 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings and investment properties

We draw attention to note 4 in the General Notes to the Accounts, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment properties. As disclosed in note 4 of the General Notes to the Accounts, the Council's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Finance Manager's (& Section 151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Finance Manager (& Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The Corporate Finance Manager (& Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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## DRAFT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of the Corporate Finance Manager (& Section 151 Officer) for the financial statements

As explained more fully in the Responsibilities of the Chief Finance Officer, the Corporate Finance Manager (& Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Corporate Finance Manager (& Section 151 Officer) is also responsible for such internal control as the Corporate Finance Manager (& Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Finance Manager (& Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Corporate Finance Manager (& Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

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

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

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on Ashfield District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Ashfield District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

#### Responsibilities of the Council

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

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## DRAFT AUDITOR'S REPORT (CONTINUED)

### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Use of the audit report

This report is made solely to the members of Ashfield District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### Certificate

We certify that we have completed the audit of Ashfield District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### David Hoose

For and on behalf of Mazars LLP

Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

November 2020

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# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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# APPENDIX D

## SUMMARY OF NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to Members, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

Within Mazars, we liaise with the regulators for your sector on a regular basis and this will continue during the coming periods, so that we ensure we are up-to-date with emerging issues; we feed back any messages as part of on-going two-way communications.

	Publication/update	Key points
<b>Financial Reporting Council and other regulators</b>		
1.	<b>Statement in respect of current situation</b>	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>		
2.	<b>Financial Scrutiny Practice Guide , 25 June 2020</b>	Guidance on financial scrutiny in local government.
3.	<b>CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, 30 April 2020</b>	This is technical guidance for those preparing financial statements.
<b>National Audit Office (NAO)</b>		
4.	<b>Guide for audit and risk committees on financial reporting and management during COVID-19, 24 June 2020</b>	NAO Guidance for Audit and Risk committees during the pandemic.
5.	<b>Investigation into remediating dangerous cladding on high-rise buildings, 19 June 2020</b>	NAO report on addressing the issues with building cladding following the Grenfell fire.
6.	<b>Auditor Guidance Note (AGN) 03 – Auditors’ Work on Value for Money Arrangements, June 2020</b>	NAO consultation on the detailed new guidance for auditors in relation to VFM work from the 2020/21 audit.
7.	<b>Readying the NHS and adult social care in England for COVID-19, 12 June 2020</b>	NAO’s second publication considering the Government response to COVID-19.
8.	<b>Managing Private Finance Initiative (PFI) assets and services as contracts end, 5 June 2020</b>	NAO report on managing PFI contracts.
9.	<b>Overview of the UK government’s response to the COVID-19 pandemic, 21 May 2020</b>	NAO’s first publication considering the Government response to COVID-19.
10.	<b>Code of Audit Practice</b>	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit year and beyond.

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## SUMMARY OF NATIONAL PUBLICATIONS

	Publication/update	Key points
<b>Public Sector Audit Appointments (PSAA)</b>		
11.	<b>PSAA Publishes Findings of Audit Survey, 7 May 2020</b>	PSAA client survey. We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.
12.	<b>Independent analysis of the outcomes of electors' objections, 15 April 2020</b>	Analysis of objections.
13.	<b>News release: Q&amp;As, 9 April 2020</b>	PSAA seeks to answer questions raised in the 2020/21 scale fee process.
14.	<b>2020/21 audit fee scale, 31 March 2020</b>	Scale fees set for 2020/21 at same level as 2019/20, but PSAA indicates likely upward pressure on audit fees for both years.
15.	<b>Independent review of the sustainability of the local government audit market, 4 March 2020</b>	PSAA publishes an independent review.
<b>Ministry for Housing, Communities and Local Government (MHCLG)</b>		
16.	<b>Comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic, 2 July 2020</b>	Latest funding package to assist local government to deal with the impact of the pandemic.
17.	<b>Coronavirus (COVID-19): guidance for local government, 1 July 2020</b>	Summary of all the guidance available for local government.
18.	<b>Local authority COVID-19 financial impact monitoring information, 21 June 2020</b>	Summary of information gathered to assess the financial impact of the pandemic on local government.
19.	<b>Addressing cultural and governance failings in local authorities: lessons from recent interventions, 16 June 2020</b>	Lessons to be learned from Government intervention in local authorities.
20.	<b>Local government procurement: fraud and corruption risk review, 8 June 2020</b>	Local government procurement fraud and corruption risk review provides advice on how councils can strengthen their processes and implement prevention measures.
21.	<b>Emergency funding, 30 March 2020 and 28 April 2020</b>	Two tranches of emergency funding to support local authorities.
22.	<b>Councils given new powers to hold public meetings remotely, 3 April 2020</b>	Temporary powers to hold remote meetings.
23.	<b>Coronavirus (COVID-19): letter to councils about extending the statutory audit deadlines for 2019/20, 22 April 2020</b>	Extension of accounts and audit timetable.
<b>Local Government Association (LGA)</b>		
24.	<b>Key questions and issues for finance portfolio holders during the COVID-19 pandemic, 14 May 2020</b>	A useful paper that highlights the key financial challenges from the pandemic, and the issues for medium term financial planning.
<b>House of Commons: Public Accounts Committee:</b>		
25.	<b>Local authority investment in commercial property</b>	Significant concerns over local authority approaches to commercial property investment

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## NATIONAL PUBLICATIONS

### 1. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

*“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.*

*Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”*

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

### 2. Financial Scrutiny Practice Guide, CIPFA (with the Centre for Public Scrutiny), 25 June 2020

CIPFA has released its guidance on Financial Scrutiny Practice, which is aimed at councils and councillors in England, and seeks to address how best to integrate an awareness of council finances with overview and scrutiny.

CIPFA reports that the impact of the pandemic means that council budgeting will need to be more focused on priorities and difficult choices for the foreseeable future. Therefore, the guide suggests ways to move budget and finance scrutiny beyond set-piece events that take place in December and quarterly financial performance reported to committees.

CIPFA also notes that effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust, sustainable, and takes into account the needs of residents.

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

### 3. CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, Chartered Institute of Public Finance and Accountancy, 30 April 2020

This is technical guidance for those preparing financial statements. It covers emerging or urgent accounting issues. The bulletin for the 2019/20 financial statements includes guidance on accounting for issues relating to the COVID-19 pandemic.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>

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## NATIONAL PUBLICATIONS

### 4. Guide for audit and risk committees on financial reporting and management during COVID-19, 24 June 2020

The NAO has published a Guide for audit and risk committees on financial reporting and management during COVID-19. This guide aims to help audit and risk committee members support and challenge the organisations they work with in the following areas:

- Annual reports;
- Financial reporting;
- The control environment; and
- Regularity of expenditure.

In each section of the guide the NAO has set out some questions to help audit and risk committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period when more specific and detailed reporting on the outbreak will be required.

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

### 5. Investigation into remediating dangerous cladding on high-rise buildings, 19 June 2020

The NAO has published its report on the investigation into remediating dangerous cladding on high-rise buildings.

Following the Grenfell Tower disaster, the Ministry of Housing, Communities and Local Government (MHCLG) established the Building Safety Programme to ensure that residents of high-rise residential buildings are safe and feel safe from the risk of fire. In May 2018, MHCLG announced £400 million to fund the remediation of high-rise residential buildings with unsafe Aluminium Composite Material (ACM) in the social housing sector. In May 2019, a further £200 million was made available for the remediation of equivalent buildings in the private sector.

In May 2020, the Government announced a new £1 billion building safety fund to remove dangerous cladding from high-rise buildings. This brings the total funding for remediation to £1.6 billion.

The investigation examined how MHCLG is:

- assuring itself that it has correctly identified all the buildings which fall within scope of the Programme, and that they are being fully remediated;
- managing the pace of progress of remediation; and
- deciding which buildings qualify for remediation funding, and how it has assessed risks outside the scope of the programme.

Some of the findings from the investigation include:

- as at April 2020, 149 of the 456 buildings, 18 metres and over with unsafe ACM cladding have been fully remediated;
- the pace of remediation has been faster in the student accommodation and social housing sectors, but slower in the private residential sector;
- early signs are that the effect of COVID-19, and public health measures taken to limit its impact, have slowed down the pace of remediation; and
- more than a quarter of buildings yet to be remediated are concentrated in four local authorities.

<https://www.nao.org.uk/report/investigation-into-remediating-dangerous-cladding-from-high-rise-buildings/>

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### 6. Auditor Guidance Note (AGN) 03 – Auditors' Work on Value for Money Arrangements, June 2020

The new Code of Audit Practice came into force on 1 April 2020, after being approved by Parliament. It was developed following a consultation process in 2019. The most significant changes to the new Code are in relation to auditors' work on value for money arrangements. NAO have decided to consult on the detailed statutory guidance that will support auditors to deliver work under the new Code.

NAO have now published its consultation seeking views on the draft 'Auditor Guidance Note (AGN) 03 – Auditors' Work on Value for Money Arrangements'. The consultation is open for a period of 12 weeks, with a closing date of 5pm on 2 September 2020.

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

### 7. Readyng the NHS and adult social care in England for COVID-19, 12 June 2020

The NAO published its report Readyng the NHS and adult social care in England for COVID-19 in June 2020.

This report is the second in a programme of work by the NAO to support Parliament's scrutiny of the UK government's response to COVID-19. It sets out the facts about government's progress in preparing the NHS and social care for the COVID-19 outbreak, with a focus on:

- actions set out in the 17 March letter to the NHS, and the 15 April action plan for adult social care. It also describes what is currently known about additional funding for health and adult social care;
- actions taken at a national level by those responsible for coordinating health, adult social care and local government in England; and
- the period from the start of the outbreak to at least the end of April, when the government announced that the UK was "past the peak". Depending on the data available at the time of writing, the NAO has provided information up to mid-May.

The report does not assess the value for money of the measures adopted by government or the effectiveness of its response. It uses a range of published and unpublished data, the latter requested from public bodies under the NAO's statutory audit powers.

<https://www.nao.org.uk/report/readyng-the-nhs-and-adult-social-care-in-england-for-covid-19/>

### 8. Managing Private Finance Initiative (PFI) assets and services as contracts end, 5 June 2020

The NAO has published its report on Managing PFI assets and services as contracts end.

The report considers whether the government is making appropriate preparations to manage the expiry of PFI contracts. The report notes that there are currently 700 operational PFI contracts in the UK with a capital value of £57 billion. However, the study focuses on the 571 PFI contracts in England, excluding those for which responsibility lies with the devolved governments.

The report draws out the challenges and best practice that can most benefit those managing PFI contracts which are ending. Note that the report does not assess the potential impacts of the COVID-19 pandemic on the expiry of PFI contracts, as the fieldwork was conducted before the outbreak.

<https://www.nao.org.uk/report/managing-pfi-assets-and-services-as-contracts-end/>

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### 9. Overview of the UK government's response to the COVID-19 pandemic, *National Audit Office*, 21 May 2020

Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government's response is unprecedented in recent history.

This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government's response to COVID-19.

<https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/>

### 10. Code of Audit Practice, *National Audit Office*, March 2020

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies. Schedule 6 of the Act extends this requirement to include NHS Foundation Trusts.

Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

The final draft of the latest Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). NAO plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Committee on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

#### Audit of the financial statements

Auditors must still comply with underlying auditing standards.

#### Value for money arrangements

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria:
  - Financial sustainability
  - Governance
  - Improving the 3Es – economy, efficiency and effectiveness
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

#### Auditor reporting

- Auditor's Annual Report introduced:
  - Replaces Annual Audit Letter
  - Includes enhanced commentary against each of the specified VFM reporting criteria
  - To be issued in line with the audit report on the financial statements

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

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### 11. PSAA Publishes Findings of Audit Survey, *Public Sector Audit Appointments*, 7 May 2020

PSAA has published the findings of a survey of audited bodies' feedback on their audits of 2018/19 accounts.

In the past, surveys have been undertaken by the audit firms themselves and have sought the responses of client Chief Finance Officers (CFOs) to a relatively small number of high level questions.

This year, coinciding with the first audits under Appointing Person arrangements, PSAA has introduced a new approach which incorporates a number of important changes.

To assure independence and confidentiality, it has commissioned the LGA's Research & Information team to administer the survey centrally. The views of both CFOs and Audit Committee Chairs have been sought recognising the importance of the auditor's relationships with both Management and Those Charged With Governance. A longer list of survey questions has also been developed to probe more deeply into respondents' experience of different aspects of the audit and the auditor's performance.

PSAA hopes that audited bodies will find the survey results interesting and helpful in terms of stimulating discussion about their audit, identifying areas in which it went well or might have been improved. PSAA is encouraged by the volume of data which its new survey has generated and the opportunity it provides to identify good practice and/or discuss specific areas for improvement with individual audit firms.

We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.

<https://www.psa.co.uk/2020/05/psaa-publishes-findings-of-audit-survey/>

### 12. Independent analysis of the outcomes of electors' objections, *Public Sector Audit Appointments*, 15 April 2020

A unique element of the local government accountability framework is the long-held rights of local electors to inspect accounts and related documents, and to object to auditors about issues of concern. In recent times electors have been able to access far more data and information than when the right to object was originally enacted, because of developments such as transparency reporting and the Freedom of Information Act.

Publicly available information about objections and their outcomes is limited. The work on them is often mainly confidential correspondence between the auditor, the objector and the local body with the outcome reported to the local body. Although the auditor's decision and detailed statement of reasons is sometimes reported in the public domain, this is not always the case. To help address that gap PSAA has commissioned an independent analysis of the outcomes of objections.

<https://www.psa.co.uk/2020/04/news-item-independent-analysis-of-the-outcomes-of-electors-objections/>

### 13. News release: Q&As, *Public Sector Audit Appointments*, 9 April 2020

PSAA consulted on the 2020/21 scale fees earlier this year and published the 2020/21 scale fees on 31 March 2020. Not surprisingly in these turbulent times for audit the consultation responses contained many questions. Today PSAA have published a 'Q&A', setting out our answers to them.

<https://www.psa.co.uk/2020/04/news-release-qas/>

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### 14. 2020/21 audit fee scale, *Public Sector Audit Appointments*, 31 March 2020

The consultation set out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at bodies that have opted into PSAA's national auditor appointment scheme. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:

- issues which have given rise to additional audit work in relation to the 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews being undertaken and referred to in this progress report (see item 7 above); and
- the introduction of the new NAO Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

The expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits, with a specific aim also to look ahead to identify any implications for 2020/21. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process.

Link to the PSAA consultation is set out below:

<https://www.psa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>

PSAA published its scale fees for 2020/21 on 31 March 2021, and concluded that:

"In current circumstances we do not have sufficient reliable information that would enable us to adjust the scale of fees for 2020/21, and so have maintained the scale fee at the level set for 2019/20 before audit work had started. In practice we recognise that in the event, with so much turbulence and change in the environment, additional fees variations are likely to arise for many bodies."

<https://www.psa.co.uk/audit-fees/2020-21-audit-fee-scale/>

### 15. Independent review of the sustainability of the local government audit market, *Public Sector Audit Appointments*, 4 March 2020

PSAA has recently commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard (TR).

The TR report draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31st July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams.

<https://www.psa.co.uk/2020/03/news-item-independent-review-of-the-sustainability-of-the-local-government-audit-market/>

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### 16. Comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic, 2 July 2020

On 2 July 2020, Government announced a major new support package to help councils respond to coronavirus as part of comprehensive plan to ensure councils' financial sustainability for the future.

Key features of the new package include:

- Government announces new comprehensive package of support to address spending pressures and in recognition of lost income;
- Further £500 million brings funding given to support local councils with pressures to £4.3 billion, part of a package of over £27 billion to help councils, businesses and communities; and
- New scheme will also reimburse councils for lost income and allow council and business rates tax deficits to be repaid over 3 years instead of one.

The announcement included statements that:

Recognising that councils are best placed to decide how to meet pressures in their local area, this funding has not been ringfenced.

In addition to this funding, a major new scheme introduced by the government today will help to reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost.

Additionally, to enable them to get on the front foot and build much-needed breathing space into their budgets, the government is also bringing in changes so that they can spread their tax deficits over 3 years rather than the usual one.

Overall, in the last 6 months, government has worked closely with local authorities to understand their needs and provided more than £27 billion to help councils, businesses and communities through COVID-19.

At the time of writing, further detail is awaited in relation to this announcement.

<https://www.gov.uk/government/news/comprehensive-new-funding-package-for-councils-to-help-address-coronavirus-pressure-and-cover-lost-income-during-the-pandemic>

### 17. Coronavirus (COVID-19): guidance for local government, 1 July 2020

There is a wide range of Government Guidance that relates to local councils during the coronavirus (COVID-19) outbreak. MHCLG provides a comprehensive list of all guidance and keeps this updated at the attached link.

<https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government>

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### 18. Local authority COVID-19 financial impact monitoring information, 21 June 2020

MHCLG is collecting data on the impact COVID-19 is having on local authority finances.

The purpose of the data collection is to help provide the government with information on the financial pressures experienced by local authorities as a result of the pandemic. The data collection, which is aimed at Finance Directors in 339 local authorities, is based on best estimates. Fire and rescue authorities and combined authorities are not included in the survey.

Information from local authorities were collected in mid-April and mid-May, and MHCLG plans to run the data collection on a regular basis, as the government continues its response to the pandemic. The data collected so far shows that the combined spending and income pressure at the end of May was £3.24 billion.

The detailed monitoring information (presented in excel format) is available here.

<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

### 19. Addressing cultural and governance failings in local authorities: lessons from recent interventions, 16 June 2020

MHCLG reports that based on its experience of supporting, and sometimes intervening in local authorities (LAs) experiencing difficulties, culture and governance at LAs are key to their success or failure. To support LAs in these areas, MHCLG has published a short guide which considers the lessons about LA culture and governance that can be learned from recent statutory and non-statutory interventions.

The key areas covered by the guide include:

- recognising indicators of poor culture and weak governance;
- addressing ineffective leadership (corporate and political);
- addressing poor behaviour across an authority; and
- strengthening scrutiny, transparency and whistle-blowing support.

<https://www.gov.uk/government/publications/addressing-cultural-and-governance-failings-in-local-authorities-lessons-from-recent-interventions/>

### 20. Local government procurement: fraud and corruption risk review, 8 June 2020

The government has published the findings from its review of fraud and corruption risks in local government procurement.

The review report focuses on the risks of fraud and corruption when councils procure and commission goods, works and services. The report notes that the effective management of risk in procurement is part of ensuring a well-led and risk-aware council, that manages its resources efficiently to secure value for money outcomes.

The report includes:

- case studies highlighting where fraud and corruption incidents have occurred;
- best practice examples for mitigating fraud and corruption risks; and
- suggested activities to improve the response to fraud and corruption risks in local government.

<https://www.gov.uk/government/publications/local-government-procurement-fraud-and-corruption-risk-review>

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### 21. Emergency funding, *Ministry for Housing, Communities and Local Government*, 30 March 2020 and 28 April 2020

On 19 March 2020, the [government announced](#) £1.6 billion of additional funding for local government to help them respond to coronavirus (COVID-19) pressures across all the services they deliver.

A further £1.6 billion in additional funding was [announced](#) on 18 April 2020. This extra £1.6 billion takes the total given to councils to help their communities through this crisis to over £3.2 billion.

This document sets out the allocations for local authorities.

<https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>

### 22. Councils given new powers to hold public meetings remotely, *Ministry for Housing, Communities and Local Government*, 3 April 2020

The government has temporarily removed the legal requirement for local authorities to hold public meetings in person during the coronavirus pandemic. This will enable authorities to make effective and transparent decisions on the delivery of services for residents and ensure that local democracy continues to thrive.

<https://www.gov.uk/government/news/councils-given-new-powers-to-hold-public-meetings-remotely>

### 23. Coronavirus (COVID-19): letter to councils about extending the statutory audit deadlines for 2019 to 2020, *Ministry for Housing, Communities and Local Government*, 22 April 2020

Letter from the Ministry of Housing, Communities and Local Government informing local authority chief executives that:

- the publication date for final, audited, accounts will move from 31 July for Category 1 authorities and 30 September for Category 2 authorities to 30 November 2020 for all local authority bodies
- to give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 authorities) and July (for Category 2 authorities) has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

<https://www.gov.uk/government/publications/coronavirus-covid-19-letter-to-councils-about-extending-the-statutory-audit-deadlines-for-2019-to-2020>

### 24. Key questions and issues for finance portfolio holders during the COVID-19 pandemic, *Local Government Association*, 14 May 2020

The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. This paper seeks to outline and discuss key strategic issues that elected members, particularly those in finance and wider leadership positions, should consider.

<https://www.local.gov.uk/key-questions-and-issues-finance-portfolio-holders-during-covid-19-pandemic>

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### 24. House of Commons: Public Accounts Committee: Local authority investment in commercial property

The Public Accounts Committee has expressed significant concerns over local authority investments in commercial property and has made a series of recommendations, including:

- Further strengthening of guidance and the prudential framework
- Further strengthening of local governance arrangements.

<https://publications.parliament.uk/pa/cm5801/cmselect/cmpubacc/312/31202.htm>

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