



Audit Committee Agenda

Wyre Borough Council
Date of Publication: 20 September 2021
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**Audit Committee meeting on Tuesday, 28 September 2021 at 6.00 pm
in the Council Chamber - Civic Centre, Poulton-le-Fylde**

1. Apologies for absence

2. Declarations of interest

To receive any declarations of interest from any members of the Committee on any item on this agenda.

3. Confirmation of minutes

To confirm as a correct record the minutes of the last meeting of the Audit Committee held on 27 July 2021.

4. Statement of Accounts 2020/2021 (Post-Audit)

(Pages 3 - 6)

Report of the Corporate Director Resources (Section 151 Officer).

5. Management Representation Letter 2020/21

Letter to be signed by the Chairman of the Audit Committee and the Corporate Director Resources (Section 151 Officer).

(Papers to follow).

6. Report to Those Charged with Governance (ISA 260) 2020/21

Report of the Corporate Director Resources (Section 151 Officer).

(Papers to follow).

7. Annual Audit Letter on the 2019/20 External Audit.

(Pages 7 - 18)

Letter to be noted by members of the Audit Committee.

8. Periodic private discussion with External Audit

Following the conclusion of the formal meeting, members of the committee will be given the opportunity to have their private periodic discussion with the External Auditor, as provided for in the committee's work programme.

9. Time and date of next meeting

Tuesday 16 November 2021 in the Council Chamber, Civic Centre, Poulton-le-Fylde.

Report of:	Meeting	Date	Item No.
Corporate Director Resources and s.151 Officer	Audit Committee	28 September 2021	

STATEMENT OF ACCOUNTS 2020/21 (POST AUDIT)

1. Purpose of Report

- 1.1 To approve the council's published Statement of Accounts, following the completion of the audit, for the financial year 2020/21.

2. Outcomes

- 2.1 Evidence that the council produces accounts in accordance with relevant standards and timetables, supported by comprehensive working papers and promotes external accountability.
- 2.2 Compliance with the requirements of the Accounts and Audit Regulations.

3. Recommendation

- 3.1 Members are requested to approve the Council's Statement of Accounts 2020/21.

4. Background

- 4.1 The Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021) require the council's responsible financial officer to certify that the accounts 'present a true and fair view of the financial position' for the 2020/21 financial year by the 31 July 2021 (the date has been extended from 31 May as a result of the COVID-19 pandemic). The council is then formally required to approve and publish the Statement of Accounts no later than 30 September 2021 (the date has been extended from 31 July as a result of the COVID-19 pandemic). Following approval, the Statement of Accounts must be signed and dated by the member presiding at the meeting at which approval is given.
- 4.2 The Audit Committee approved the unaudited accounts for the 2020/21 financial year at their meeting on 27 July 2021. Owing to internal and external capacity constraints as a result of the pandemic and expected delays to the audit of the pension fund, it is anticipated that the final

accounts sign off will be delayed beyond 30 September. There are no penalties associated with this but the council is required to publish a statement on the website explaining the delay. The vast majority of the work has been undertaken and therefore the committee can approve the accounts, with the Chair giving the ultimate sign-off following confirmation of completion by the external auditors, expected in October.

5. Key issues and proposals

- 5.1** Issues raised as a result of the audit have now been reflected in a revised Statement of Accounts that will be published by the Council following this committee meeting and can be accessed via the website using the following link:

<https://www.wyre.gov.uk/council-budgets-spending-2/statement-accounts?documentId=187&categoryId=20200>

- 5.2** Details of the issues raised can be seen in the External Auditor's Report to those charged with governance (ISA 260) 2020/21, which is considered later on the agenda.

IMPLICATIONS	
Finance	There are no immediate financial implications arising from this report. The final outturn position will be incorporated within the Medium Term Financial Plan 2021/22 to 2025/26 which aims to provide detailed proposals for corporately managing the council's resources in the years ahead and is subject to continuous monitoring to ensure its effectiveness.
Legal	The approval of the recommendation will help ensure that the statutory requirements have been complied with.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

Report Author	Telephone No.	Email	Date
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List of Background Papers:		
Name of Document	Date	Where available for inspection
None		

LIST OF APPENDICES

None

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Annual Audit Letter on the
2019/20 External Audit
Wyre Borough Council
July 2021

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1. Letter to Members

The Members
Wyre Borough Council
Civic Centre
Breck Road
Poulton-le-Fylde
Lancashire
FY6 7PU

30 July 2021

Dear Members of the Authority

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2020.

Although this letter is addressed to the Members of Wyre Borough Council (“the Authority”), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Public Sector Audit Appointments Ltd (PSAA) website at www.psaa.co.uk and on the Authority’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from www.psaa.co.uk.

This letter has been discussed and agreed with the Chief Finance Officer. A copy of the letter will be provided to all Members.

This is our second year as the external auditor of the Authority following the transition of the PSAA contract in 2018/19. Our aim is to deliver a high standard of audit, delivering insights identified from our audit work to make a positive and practical contribution, which supports the Authority’s own agenda. We would like to take this opportunity to recognise and thank the efforts made by the Authority’s Finance Team in working constructively with our audit team to successfully deliver the audit.

Paul Hewitson
Audit Director
for and on behalf of Deloitte LLP
Newcastle Upon Tyne, United Kingdom

2. Key Messages

Statement of Accounts	
<p>Unqualified opinion issued on 30 March 2021</p>	<p>In 2019/20 the Authority was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards (“IFRS”) as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and other relevant legislation.</p> <p>The Statement of Accounts was prepared and audited in accordance with the agreed timetable.</p> <p>Through our audit planning we identified three significant risks of material misstatement which we addressed through our audit. These were:</p> <ul style="list-style-type: none"> • property valuations; • management override of controls; and • completeness and cut off of service line expenditure. <p>Materiality for the Authority’s accounts was set at £1,080,000.</p> <p>We issued an unqualified audit opinion on the Statement of Accounts on 30 March 2021.</p>
Value for Money (VfM) conclusion	
<p>Unqualified opinion issued on 30 March 2021</p>	<p>We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office, namely whether the Authority has in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>We issued an unqualified opinion in respect of the VfM conclusion on 30 March 2021.</p>
Annual Governance Statement	
<p>All relevant governance matters were adequately and appropriately disclosed</p>	<p>We have considered the contents of the Annual Governance Statement and confirmed that the Statement complied with guidance and that it adequately and appropriately disclosed all relevant governance matters arising in the year that we are aware of.</p>

2. Key Messages (continued)

Whole of Government accounts	
The Authority is below the audit threshold	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Authority falls below the threshold where an audit is required.</p> <p>We have confirmed this fact to the National Audit Office.</p>
Financial reporting systems	
Minor weaknesses in internal control were identified	<p>During our audit we identified areas for improvement in internal controls and procedures including three recommendations relating to the areas of significant risk outlined above.</p> <p>The three recommendations relating to the significant risk areas concerned:</p> <ul style="list-style-type: none"> • a recommendation that, the land and building valuation reports produced by the Council’s suitably qualified valuer are reviewed by another suitably qualified valuer; • a recommendation that the investment properties of the Authority be formally revalued annually; and • a recommendation that management reconsider how they can strengthen the control environment in relation to the review and authorisation of journal entries.

3. Responsibilities and Scope

Responsibilities of the Authority and Auditors

The Authority is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on IFRS and other relevant legislation.

We are appointed as the Authority's independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England.

As the Authority's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- the Authority's accounts; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, being the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on IFRS and other relevant legislation.

We conducted our work on the value for money conclusion in line with guidance issued by the National Audit Office in April 2020, in respect of local government bodies for the financial year ended 31 March 2020.

4. Audit of the Accounts

Statement of Accounts	
<p>Unqualified opinion issued on 30 March 2021</p>	<p>Before we give our opinion on the accounts, we are required to report to Those Charged with Governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit Committee on 16 February 2021 and a final detailed report was issued on 30 March 2021.</p> <p>Materiality for the Authority's accounts was set at £1,080,000 which equated to 2% of gross income. The level of materiality shapes and informs the extent of the audit work we undertook, including review of balances which are below this which exhibit particular characteristics. This assists in the identification of transactions and balances which were likely to give rise to material misstatements, and in determining the extent of work undertaken in respect of the areas we judged to contain such risks.</p> <p>Our Report to Those Charged with Governance, in the case of the Authority, the Audit Committee, set out the details of any errors identified during the audit which were greater than £53,000, our clearly trivial threshold.</p> <p>The final Statement of Accounts upon which we issued our opinion contained three errors which remained unadjusted. We have included further details on these errors later in this report.</p> <p>Our audit work was designed to specifically address the following significant audit risks:</p> <ul style="list-style-type: none"> • Whether property subject to revaluation in the year had been correctly stated – We obtained an understanding of the key controls in place around the revaluation of the Authority's property and performed detailed testing of the revalued assets including seeking the view of our internal valuation specialists as to whether the methodology employed by the Authority appeared reasonable. Following the completion of our work our work we identified that depreciation had not been eliminated on revaluation of property assets. This error was limited to the analysis included in the Property, Plant and Equipment note in the Authority's Statement of Accounts and had no impact on either the reporting Net Book Value of Property assets or the reserves of the Authority. This error was corrected in the final Statement of Accounts. • Whether the Authority's controls had been bypassed by management in the preparation of the financial statements (Management override of controls) – We obtained an understanding of the key controls in place around journal entries and judgements made in the preparation of the financial statements. Using Computer Assisted Auditing Tools we identified a number of journals which exhibited characteristics of audit interest and performed detailed testing on these journals and had nothing to report in respect of these journals. We also reviewed the key accounting estimates and judgements for bias. Our work did not identify any errors requiring correction, however we did identify a control weakness in relation to the review of journal entries by a second independent reviewer. This weakness was communicated to Those Charged with Governance. • Whether the Statement of Accounts contained all of the expenditure relating to the year ended 31 March 2020 (Completeness of expenditure) – We obtained an understanding of the controls in place that management rely upon to ensure that year-end transactions are correctly brought into (accrued) the expenditure reported for the year. We selected a sample of invoices and payment recorded in the period after 31 March 2020 and confirmed for each that they had been recorded in the correct year of

Statement of Accounts	
	<p>account. We also undertook analytical procedures to confirm that the overall population of expenditure recorded in April 2020 was in line with our expectations. From our work we did not identify any errors or control weaknesses in relation to this risk.</p>

4. Audit of the Accounts (continued)

Statement of Accounts (continued)	
	<p>We issued an unqualified opinion on the Authority's 2019/20 accounts on 30 March 2021. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority as at 31 March 2020 and its income and expenditure for the year then ended.</p> <p>In accordance with the guidance issued by the Royal Institute of Chartered Surveyors relating to valuation of property as at 31 March 2020, in note 5 of the financial statements, the Authority highlighted the increased level of uncertainty attached to the estimated value of both property assets held directly by the Council and those held by the Lancashire County Council Pension Fund, which the Authority is a member of at the year end. We agreed with the Authority's assessment that there was a higher level of uncertainty attached to these valuations and accordingly we drew attention to this judgement in our audit opinion through the inclusion of an emphasis of matter paragraph. Our opinion was not modified in respect of this matter.</p>
Key issues from work performed on the Statement of Accounts	
<p>We identified three uncorrected misstatements</p>	<p>We received a set of draft accounts in line with the agreed deadline, which were supported by working papers.</p> <p>Through our audit we identified small number of errors which we communicated to the Authority for correction.</p> <p>Following corrections, the final Statement of Accounts upon which we issued our opinion contained three uncorrected misstatements:</p> <ul style="list-style-type: none"> • The first error related to the impact of the Goodwin judgement on the local government pension liability set out in note 39 to the financial statements. The impact of this judgement was estimated at £100,000; • The second error related to the inclusion of a debtor balance in creditors, which resulted in the creditor balance being £200,000 lower than it should have been; and • The final error relates to the lack of supporting evidence for the NNDR overpayments and prepayments balance of £500,000. <p>The Statement of Accounts also included the following unadjusted disclosure omission:</p> <ul style="list-style-type: none"> • Note 40 - Contingent liabilities - disclosure was made in respect of the two employment tribunal cases which external advisors have indicated, whilst not likely to succeed, have a chance of success which is not considered remote.

4. Audit of the Accounts (continued)

Annual Governance Statement	
<p>The Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements</p>	<p>As appointed auditors, we review the Annual Governance Statement ("AGS") and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Authority's Governance arrangements.</p> <p>We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements and internal controls derived from our audit work.</p>
Powers and Duties	
<p>We did not receive any questions about the accounts or make any public interest reports</p>	<p>Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections.</p> <p>We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>
Whole of Government accounts return	
<p>The Authority is below the audit threshold</p>	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
Audit Certificate	
<p>We have issued our certificate</p>	<p>We issued our certificate on 30 March 2021. The certificate confirms that we have concluded the audit for 2019/20 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>

5. Value for Money

Background and approach

The approach to our audit work in relation to value for money (“VFM”) was specified by the National Audit Office.

We are required to satisfy ourselves that the Authority has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Authority.

We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office.

We did not identify any significant risks as part of our risk assessment however we did conduct enquiries into the Council’s policies and procedures around business case preparation and investment decision making. We concluded that the system of control, whilst having scope of improvement, was commensurate with the risks inherent in the decisions being based upon them.

The VFM conclusion

Having performed our work in line with guidance received from the National Audit Office we issued an unqualified value for money conclusion for the 2019/20 financial year.

6. Other Matters

Reports issued

Reports issued during the course of the 2019/20 audit included:

- Audit Fee letter;
- Annual Audit Plan;
- The Report to Those Charged with Governance on the 2019/20 audit of the Authority; and
- This Annual Audit Letter.



Analysis of audit fees

Audit fees charged are as follows:

	2019/20 £	2018/19 £
Scale fees for the audit of the Authority's annual accounts, VfM conclusion and whole of government accounts return	37,470	37,470
Assurance work in respect of the Housing Benefit Assurance Process	8,000	8,000

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit director and audit staff is not impaired.

We confirm that we comply with FRC's Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.

In our opinion there are no inconsistencies between FRC's Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

No matters impacting our independence have arisen during the year.

Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the National Audit Office.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.



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