

Audit Committee
Charnwood Borough Council
Southfield Road
Loughborough
Leicestershire
LE11 2TX

Direct Dial +44 (0)7875 974291
Email mark.surridge@mazars.co.uk

13 January 2023

Dear Committee Member

Charnwood Borough Council Audit Completion Report 2021/22 – update

Following on from the Committee’s 22 November 2022 meeting I am writing to update, in the table below, the Committee members of those matters that were reported within the Charnwood Borough Council Audit Completion Report dated November 2022. We have included at Appendix 1 other reporting matters in addition to those set out in our original Audit Completion Report to the Committee. This report confirms there are no significant weakness to report at this stage in relation to the Council’s VFM arrangements and our VFM commentary will be included in the separate Auditor’s Annual Report later in the year.

Matter included in our Audit Completion Report	Update/Conclusion reached
Pensions	<p>The audit work is now complete, but not without challenges arising from delays caused by third party assurance letters.</p> <p>On 24 November we received the assurance report provided to us by the auditor of the pension fund, and only then were we able to perform the necessary audit work on the findings.</p> <p>As set out in Appendix 1 to this letter, the impact of this, plus other residual work led to an unadjusted immaterial misstatement to the financial statements.</p>
Land, Buildings and Investment Property valuations	<p>The audit work is now complete. We have summarised at Appendix 1 to this letter a matter arising from the work, an adjusted audit misstatement and a prior period adjustment.</p>
Review of residual audit evidence	<p>The audit work is now complete, and other than the additional points included in Appendix 1 there are no specific matters that we are required to report.</p>
Whole of Government Accounts (WGA)	<p>The National Audit Office (NAO) has still not confirmed its requirements and as indicated in our Audit Completion Report, the Audit Certificate has not yet been issued for 2021/22.</p>
Audit Quality Control and Completion Procedures	<p>This process is complete and other than the additional points included in Appendix 1 there are no specific matters that we are required to report.</p>

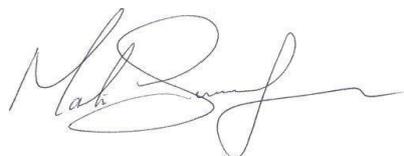
The Auditor's Annual Report, including the Value for Money Commentary

We provided the Committee in our Audit Completion Report with a summary of our responsibilities in relation to Value for Money. We expect to submit our Annual Auditor's Report to the Committee's within three months of signing the audit report. There are no additional matters in respect of the Council's arrangements for securing value for money that I need to bring to your attention in this letter.

Audit Certificate

I can confirm that we have not yet issued the 2021/22 Audit Certificate for the reasons set out in our Audit Completion Report (ie the NAO's delay in confirming its WGA requirements for 2020/21 and 2021/22 and the timing of the Annual Auditor's Report). We expect to issue the certificate once these matters are concluded.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Surridge', with a stylized flourish extending to the right.

Mark Surridge
Key Audit Partner
For and on behalf of Mazars LLP

Appendix 1

Unadjusted Audit Misstatements

Management decided not to adjust the Statement of Accounts for these items on the grounds of materiality, which was confirmed in the Letter of Management Representation we received before we gave our Audit Opinion:

Details of unadjusted items	Accounting entries	Assets £000	Liabilities £000	Unusable Reserves £000	Useable Reserves £000	Income statement £000
We received a report from the pension fund auditor on 24 November 2022 reporting a significant understatement in pension fund assets which was not provided to the actuary. The adjustment represents the Council's estimated share of that understatement in asset values.	Debit: Net pension liability		465			
	Credit: Pension fund reserve			(465)		
		-	465	(465)	-	-

Adjusted Audit Misstatements

During the audit we requested some presentation adjustments to the financial statements. In addition, the following adjustments have been made by Officers:

Details of adjustment	Accounting entries	Assets £000	Liabilities £000	Unusable Reserves £000	Useable Reserves £000	Income statement £000
The Council dwellings valuation per draft accounts (balance sheet) does not agree to the Valuers Report. We identified a variance £7,266k as a result of error on council dwellings (HRA) asset register.	Debit: council dwellings	7,266				
	Credit: Unusable reserves			(7,266)		
		7,266	-	(7,266)	-	-

Adjusted Prior Period Audit Misstatements

It was identified that the floor areas records held by the authority were incorrect. An independent valuer then remeasured the floor areas, where the differences in the floor areas is more than 20sqm the valuations was performed on the basis of new floor areas, keeping other assumptions constant. This has led to an adjustment of £3,983k. This has affected both the current years financial statements and led to a prior period adjustment – we have noted below the changes that have occurred in the statement of accounts from the draft version to the final set. Due to the nature of the changes it has hit a number of the notes in the accounts so we have just highlighted the changes in the Balance Sheet below.

2020/21			Balance sheet area	2021/22		
Previous figure £000	Updated figure £000	Change £000		Previous figure £000	Updated figure £000	Change £000
57,164	53,181	(3,983)	Other Land and Buildings	62,406	58,423	(3,983)
(206,286)	(202,303)	3,983	Unusable reserves	(262,750)	(266,034)	(3,284)

The 2021/22 unusable reserves figure has changed by (£3,284k) as opposed to £3,983k due to the above £7,266k adjustment also impacting on unusable reserves.

Internal control point

<p>Description of deficiency</p> <p>We have also noted that the Council do not follow the IFRS9 expected credit loss model in calculating bad debt and instead apply a percentage based on risk. We have confirmed that this would not lead to a material misstatement however the Council are not currently operating in line with the applicable regulations.</p>
<p>Potential effects</p> <p>Increased risk of incorrect bad debt provision recorded within the accounts and the Council has underestimated their liability.</p>
<p>Recommendation</p> <p>The Council should update the provision calculation method so that it falls in line with IFRS9 expected credit loss model.</p>



Appendix 2 – Final Form of Opinion

Independent auditor's report to the members of Charnwood Borough Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Charnwood Borough Council ("the Council") for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, HRA Income and Expenditure Statement and Collection Fund Statement 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 2021/22. In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of its 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 2021/22.

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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Strategic Director of Environmental and Corporate Services and S.151 Officer's, as the Chief Financial Officer, use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Strategic Director of Environmental and Corporate Services and S.151 Officer's as the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Strategic Director of Environmental and Corporate Services and S.151 Officer (the Chief Financial Officer) is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report there on.

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.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Strategic Director of Environmental and Corporate Services and S.151 Officer's, as the Chief Financial Officer, is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices asset out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Strategic Director of Environmental and Corporate Services and S.151 Officer, as the Chief Financial Officer, is also responsible for such internal control as Strategic Director of Environmental and Corporate Services and S.151 Officer (as the Chief Financial Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Strategic Director of Environmental and Corporate Services and S.151 Officer, as the Chief Financial Officer, is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Strategic Director of Environmental and Corporate Services and S.151 Officer as the Chief Financial 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Strategic Director of Environmental and Corporate Services and S.151 Officer incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Strategic Director of Environmental and Corporate Services and S.151 Officer's (the Chief Financial Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception

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.

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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

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.

Use of the audit report

This report is made solely to the members of Mansfield 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 31 March 2021, and consequently conclude the audit and issue the certificate for that period;
- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 31 March 2022; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Mark Surridge, Key Audit Partner
For and on behalf of Mazars LLP

Birmingham, UK

[Insert date]