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**Hinckley & Bosworth
Borough Council**

Bill Cullen MBA (ISM), BA(Hons) MRTPI
Chief Executive

Date: 03 March 2020

To: Members of the Audit Committee

Mr DS Cope (Chairman)	Mr RB Roberts
Ms A Pendlebury (Vice-Chairman)	Mrs H Smith
Mrs MA Cook	Mr BR Walker
Mr REH Flemming	Mr HG Williams
Mr E Hollick	Mr P Williams
Mr MR Lay	

Copy to all other Members of the Council

(other recipients for information)

Dear member,

There will be a meeting of the **AUDIT COMMITTEE** in the De Montfort Suite, Hinckley Hub on **WEDNESDAY, 11 MARCH 2020 at 6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Manager

Fire Evacuation Procedures

- On hearing the fire alarm, leave the building **at once** quickly and calmly by the nearest escape route (indicated by green signs).
- *There are two escape routes from the Council Chamber – at the side and rear. Leave via the door closest to you.*
- Proceed to **Willowbank Road car park**, accessed from Rugby Road then Willowbank Road.
- **Do not** use the lifts.
- **Do not** stop to collect belongings.

Recording of meetings

At HBBC we are open and transparent about how we make decisions. We allow recording, filming and photography at all public meetings including Council, the Executive and Planning Committee as long as doing so does not disturb or disrupt the proceedings. There may occasionally be some reports that are discussed in private session where legislation requires this to happen, but this is infrequent.

We also allow the use of social media during meetings, which helps to bring the issues discussed to a wider audience.

Members of the public, members of the press and councillors are hereby informed that, in attending the meeting, you may be captured on film. If you have a particular problem with this, please contact us so we can discuss how we may accommodate you at the meeting.

Use of mobile phones

To minimise disturbance to others attending the meeting, please switch off your phone or other mobile device or turn it onto silent or vibrate mode.

Thank you

AUDIT COMMITTEE - 11 MARCH 2020

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 2)
To confirm the minutes of the previous meeting.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting (to be taken at the end of the agenda).
4. DECLARATIONS OF INTEREST
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**
5. QUESTIONS
To hear any questions received in accordance with Council Procedure Rule 12.
6. EXTERNAL AUDITOR - ANNUAL LETTER (Pages 3 - 24)
Annual Audit Letter of the External Auditor.
7. AUDIT RESULTS REPORT (Pages 25 - 72)
Report of the External Auditor.
8. INTERNAL AUDIT PROGRESS REPORT (Pages 73 - 80)
Report of the Internal Auditor.
9. PLANNING ENFORCEMENT INTERNAL AUDIT REPORT (Pages 81 - 100)
Report of the Internal Auditor.
10. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY
As announced under item 3 above.

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HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

15 JANUARY 2020 AT 6.30 PM

PRESENT: Mr DS Cope - Chairman
Ms A Pendlebury – Vice-Chairman

Mrs CM Allen, Mr REH Flemming, Mr E Hollick, Mr RB Roberts, Mr BR Walker and Mr P Williams

Officers in attendance: Tan Ashraf, Rebecca Owen and Ashley Wilson.

Gary Morris (Ernst & Young) and Zoe Thomas (Grant Thornton) were also in attendance.

260 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Cook, Lay, Smith and H Williams with the substitution of Councillor CM Allen for Councillor H Williams authorised in accordance with council procedure rule 10.

261 MINUTES OF PREVIOUS MEETING

It was noted that Councillor A Pendlebury was missed from the list of attendees on the minutes.

It was moved by Councillor Flemming, seconded by Councillor Pendlebury and

RESOLVED - the minutes of the meeting held on 31 October be confirmed, subject to the above amendment, and signed by the chairman.

262 DECLARATIONS OF INTEREST

No interests were declared at this stage.

263 INTERNAL AUDIT RISK MANAGEMENT REPORT

Members received the internal audit report into risk management processes for 2019/20. The internal auditor reported similar findings to last year and relatively low level recommendations were made.

RESOLVED – the report be noted.

264 INTERNAL AUDIT PROGRESS REPORT

The internal auditor presented an update on progress against the 2019/20 internal audit plan. It was explained that the audit deadlines for mid-2020 would be met even though the audit plan was slightly behind schedule.

RESOLVED – the report be noted

265 ASSURANCE LETTER FROM INTERNAL AUDITOR

The internal auditor presented the Housing Benefit Assurance letter which was noted.

The Chair expressed thanks to the internal auditors.

(The Meeting closed at 6.47 pm)

CHAIRMAN

Hinckley and Bosworth Borough Council

Annual Audit Letter for the year
ended 31 March 2019

February 2020

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Building a better
working world

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Focused on your
future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

We are required to issue an annual audit letter to Hinckley and Bosworth Borough Council following completion of our audit procedures for the year ended 31 March 2019.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended
► Financial statements	
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 30/01/2020.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 03/02/2020

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the Audit Committee Chairman in January 2020, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 11 April 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

Expressing an opinion:

- ▶ On the 2018/19 financial statements; and
- ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 03 February 2020. Our detailed findings were reported to the Audit Committee Chair on 30 January 2020.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<u>Misstatements due to fraud or error</u> The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation. We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any transactions during our audit which appeared unusual or outside of the Authority's normal course of business. We identified no material issues with the calculation of the MRP, and obtained explanations consistent with other audit evidence of the year-on-year movement.

Significant Risk	Conclusion
<u>Risk of fraud in revenue and expenditure recognition - Incorrect capitalisation of revenue expenditure</u> Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end. The risk of management override could materialise as a result of capitalising expenditure on revenue items or revenue items being incorrectly identified as revenue expenditure funded from capital under statute, thus funded from capital.	Our testing did not identify any material misstatements in relation to the incorrect capitalisation of revenue expenditure. Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.



Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Risks	Conclusion
<p>Implementation of IFRS 9</p> <p>IFRS 9 financial instruments</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none">▸ How financial assets are classified and measured;▸ How the impairment of financial assets are calculated; and▸ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p>	<p>We completed our review of the IFRS 9 assessment and agreed with the conclusions reached by the Council.</p>
<p>Implementation of IFRS 15</p> <p>IFRS 15 Revenue from contracts with customers</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<p>We completed our review of the IFRS 15 assessment and agreed with the conclusions reached by the Council.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Risks	Conclusion
<p>Valuation of Land and Buildings</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>The fair value of other land and buildings represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>The Council has an annual valuation process, which is subject to a number of assumptions and judgements, which if inappropriate could result in a material impact on the financial statements.</p>	<p>We identified no material misstatement from inappropriate judgements being applied to the property valuation estimates.</p> <p>We have challenged and tested a number of aspects, including the applied yields, ground areas, rental income assumptions, and land values.</p> <p>We did not identify any other assets, not valued in the year, which appeared to be materially misstated.</p>
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Leicestershire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that the net liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £33.6 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Our work has not identified any material misstatements of the Authority's liability or related disclosures in this regard.</p> <p>The Authority received a revised IAS19 report from the Actuary of Leicestershire Pension Fund, to enable updates to be made for the McCloud adjustments to the Authority's accounts.</p> <ul style="list-style-type: none"> ▶ We have assessed and are satisfied with the competency and objectivity of the Authority's actuaries: Hymans Robertson LLP; ▶ EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate; ▶ We have identified judgemental variances in relation to the GMP and McCloud impacts on the pension liability. The variances are not material, and ▶ We conclude that the year end journal postings in relation to the IAS 19 report have been made correctly.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.047m. We updated our planning materiality assessment using the draft financial statements and also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we updated our overall materiality assessment to £1.103m. This resulted in updated performance materiality, at 75% of overall materiality, of £0.827m, and an updated threshold for reporting misstatements of £0.055m. We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.055mn (2017/18: £0.054mn)

specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits:
- Related party transactions.

We set a materiality of £1k for remuneration disclosures including any severance payments, exit packages and termination benefits and related party transactions which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

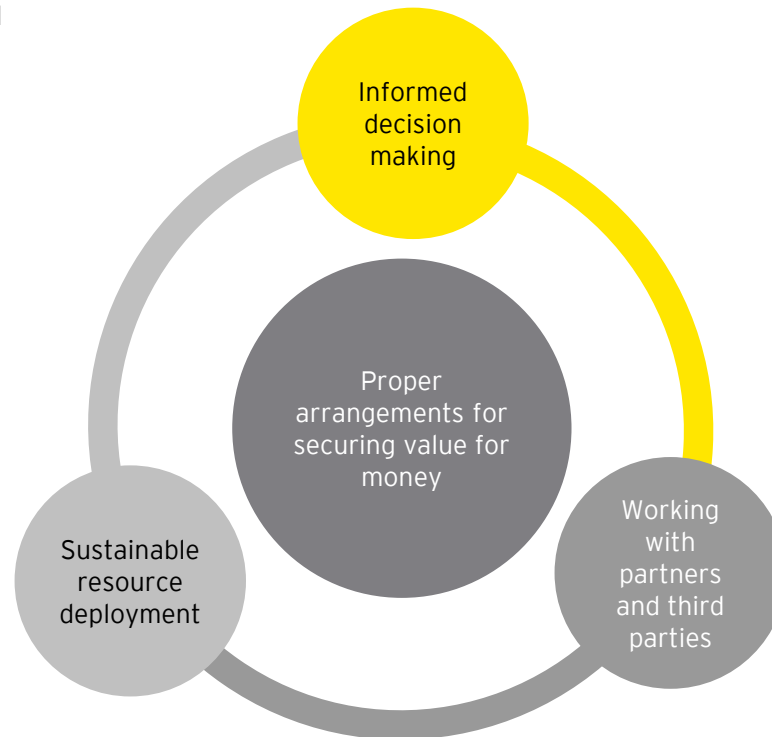


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified one significant risk in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified Value for Money conclusion on 03 February 2020.



Value for Money (cont'd)

Significant Risk	Conclusion
The Council's Medium Term Financial Strategy (MTFS) for the period 2019/20 to 2023/24, shows that there is a gap between funding and expenditure. The MTFS shows that the Council will need to use reserves to meet its planned expenditure	<p>The Council refreshed its Medium Term Financial Strategy and presented an updated one, for the period 2017/18 to 2022/23, to the Council in February 2018. This shows that the Council has adequate reserves in place, but there are forecast reductions in the levels of reserves over the next 4 years. The Council's MTFS forecasts a recurrent transfer from balances in 2018/19 and for three more years from 2020/21 to 2022/23 with balances falling at the end of 2021/22 of £6.95 million, which is 15.37% of the net budgeted expenditure and above the Council's self imposed target of 15%. However two years later, at 31st March 2023, reserves are forecast to be even lower at £4.614 million, which is 10.35% of the net budgeted expenditure. The actions you have in place should begin to address this reduction.</p> <p>The Council's Medium Term Financial Strategy has been underpinned by adequate financial forecasts in terms of savings plans, risks and assumptions which have been disclosed and reported by management to Members throughout the 2018/19 financial year. We concluded that sufficient consideration has been given to potential impacts on the financial environment of the Council, specifically to future core funding, and also to potential impacts on expenditure and income streams.</p>



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council is below the specified audit threshold of £500mn. Therefore, we were not required to perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.



Other Reporting Issues (cont'd)

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee Chairman on 30 January 2020 . In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.



06

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



07

Audit Fees

Audit Fees

Our fee for 2018/19 is in line with the scale fee set by the PSAA and reported in our 11 April 2019 Audit Plan.

Description	Final Fee 2018/19 £	Planned Fee 2018/19 £	Final Fee 2017/18 £	Planned Fee 2017/18 £
Total Audit Fee - Code work	TBC*	38,046	49,410	49,410
Non-audit work - HB Grant Claims	0	0	17,199	14,498
Total fees	TBC*	38,046	66,609	63,908

All fees exclude VAT

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Now that we have completed the audit we are reviewing the final fee for 2018/19 and will discuss this with key officers.

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Hinckley and Bosworth Borough Council Audit results report

Year ended 31 March 2019
January 2020

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Building a better
working world

Agenda Item 7



Private and Confidential
Audit Committee
Hinckley and Bosworth Borough Council
Hinckley Hub
Rugby Road
Hinckley
LE10 0FR

27 January 2020

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Hinckley and Bosworth Borough Council for 2018/19.

We have substantially completed our audit of Hinckley and Bosworth Borough Council for the year ended 31 March 2019. We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

Yours faithfully

Maria Grindlev

For and on behalf of Ernst & Young LLP

Encl

Contents



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This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive summary



Executive Summary

Scope update

In our audit planning report tabled at the 11 April 2019 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.1m (Audit Planning Report – £1.05m). This results in updated performance materiality, at 75% of overall materiality, of £0.8m, and an updated threshold for reporting misstatements of £0.06m
- ▶ For clarity, we are reporting an extension to the scope of the work on one area of focus. We identified the Local Government Pension Scheme as an area of audit focus and listed the procedures we intended to perform. Due to the result of the McCloud judgement in relation to pensions, the Government Actuary Department (GAD) issuing guidance, and the result of the courts that the Government appeal to exclude the LGPS was denied, we extended the procedures to assess the adjustment made to the financial statements in respect of the judgement, the assumptions this adjustment was based on, and management's process for obtaining and considering the adjustment.
- ▶ Similarly, the impact of Guaranteed Minimum Pensions (GMP) case on LGPS has been further considered since the drafting of the financial statements. The actuary for the Leicestershire County Pension Scheme concluded that the impact would not be material. We have carried out further analysis on the range of the estimate.

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Status of the audit

We have now completed our audit of Hinckley and Bosworth Borough Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our audit planning report. We expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Receipt and review of the final signed version of the financial statements;
- Completion of subsequent events review;
- Receipt of signed management representation letter and financial statements.



Executive Summary

Audit differences

We found the following unadjusted audit differences:

- A judgemental variance relating to the impact of the Guaranteed Minimum Pension (GMP) on the pension liability. £172k variance.
- A judgemental variance relating to the impact of the McCloud judgement on the pension liability. £384k variance.
- An error in the MRP calculation relating to the old-regime capital financing requirement. £89k variance.

We identified a number of audit differences which management adjusted for and a number of disclosure errors which were also corrected.

Adjusted and unadjusted audit differences are detailed in section 4.

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Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Hinckley and Bosworth Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.



Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit we have not made any observations of improvement recommendations in relation to management's financial processes and controls.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risks:

Sustainable Resource Deployment: The Council's Medium Term Financial Strategy (MTFS) shows that there is a gap between funding and expenditure, requiring the Council to utilise its reserves to meet its planned expenditure.

We have concluded our work in this area. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to bring to your attention as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence. We have no independence issues to report



02 Areas of audit focus





Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition - Incorrect Capitalisation of Expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Having considered the factors of expenditure recognition, we believe the risk is focused on the potential for revenue expenditure to be inappropriately capitalised.

What judgements are we focused on?

We have focused on the nature of the items recorded as capital expenditure. This has been particularly focused around expenditure on existing assets, primarily council dwellings.

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What did we do?

- ▶ Documented our understanding of the processes and controls in place to mitigate the risks identified, and walked through the processes and controls to confirm our understanding;
- ▶ Reviewed and tested expenditure recognition policies;
- ▶ Sample tested additions to property, plant and equipment to test whether the Council has inappropriately capitalised revenue expenditure; and
- ▶ Compared the value of in year capital additions against the planned capital expenditure programme for any indication of expenditure exceeding the planned levels.

What are our conclusions?

Our testing did not identify any errors in the classification of capital expenditure or REFCUS.

We did not identify any inappropriate or unauthorised journals



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused on specific journals which met our filtering criteria, particularly manual journals which have a substantial impact on the Authority's income and expenditure.

What did we do?

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed and discussed with management any changes the methodologies of existing and new accounting estimates for evidence of bias;
- Enquired of management about risks of fraud and the controls put in place to address those risks;
- Evaluated the business rationale for significant unusual transactions; and
- Understood the oversight given by those charged with governance of management's processes over fraud.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any transactions during our audit which appeared unusual or outside of the Authority's normal course of business.

We identified no material issues with the calculation of the MRP, and obtained explanations consistent with other audit evidence of the year-on-year movement.



Areas of Audit Focus

Other areas of audit focus

Valuation of land and buildings

What is the risk?

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The fair value of other land and buildings represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

The Council has an annual valuation process, which is subject to a number of assumptions and judgements, which if inappropriate could result in a material impact on the financial statements.

What judgements are we focused on?

We focused on the following:

- ▶ The adequacy of the scope of the work performed by the valuer including their professional capabilities; and
- ▶ The reasonableness of the underlying assumptions used by the Authority's expert valuer.

What did we do?

- ▶ Documented our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- ▶ Evaluated the competence, capabilities and objectivity of management's specialist;
- ▶ Reviewed any terms of engagement or instructions issued to the valuer to ensure these are consistent with accounting standards. Assessed whether the instruction includes a specific instruction from the Council to the valuer relating to an assessment on the unvalued population;
- ▶ Performed appropriate tests over the completeness and appropriateness of information provided to the valuer;
- ▶ Reviewed the classification of assets and ensure the correct valuation methodology has been applied; and
- ▶ Ensured the valuer's conclusions have been appropriately recorded in the accounts.

What are our conclusions?

We identified no material misstatement from inappropriate judgements being applied to the property valuation estimates.

We have challenged and tested a number of aspects, including the applied yields, ground areas, rental income assumptions, and land values.

We did not identify any other assets, not valued in the year, which appeared to be materially misstated.



Areas of Audit Focus

Other areas of audit focus

Pension Liability Valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Leicestershire County Council.

The Authority's pension fund deficit is a material estimated balance and the Code requires that the net liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £33.6 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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What judgements are we focused on?

We focused on the following:

- ▶ The reasonableness of the underlying assumptions used by Hymans Robertson;
- ▶ Ensuring the information supplied to the actuary in relation to Hinckley and Bosworth Borough Council was complete and accurate; and
- ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Hymans Robertson.

What did we do?

- ▶ Performed appropriate tests to obtain assurance over the information provided to the actuary;
- ▶ Wrote to the Pension Fund auditor to ascertain whether there are material concerns we need to be aware of for our audit;
- ▶ Ensured accounting entries and disclosures are consistent with the actuaries report;
- ▶ Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed the Actuary's report in conjunction with a review and testing of the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

Our work has not identified any material misstatements of the Authority's liability or related disclosures in this regard.

The Authority received a revised IAS19 report from the Actuary of Leicestershire Pension Fund, to enable updates to be made for the McCloud adjustments to the Authority's accounts.

- ▶ We have assessed and are satisfied with the competency and objectivity of the Authority's actuaries: Hymans Robertson LLP;
- ▶ EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate;
- ▶ We have identified judgemental variances in relation to the GMP and McCloud impacts on the pension liability. The variances are not material, and
- ▶ We conclude that the year end journal postings in relation to the IAS 19 report have been made correctly.



Areas of Audit Focus

Other areas of audit focus

IFRS 9 - financial instruments

What is the risk?

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

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What did we do?

- Assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed expected credit loss model impairment calculations for assets; and
- Checked additional disclosure requirements.

What are our conclusions?

We have reviewed the related disclosures within the financial statements. We identified a number of issues with the value and classification of the financial instruments. There have been amended within the financial statements.

No issues have been identified with the calculation of expected credit loss impairment



Areas of Audit Focus

Other areas of audit focus

IFRS 15 - Revenue contracts with customers

What is the risk?

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non-domestic rates and government grants will be outside the scope of IFRS 15. If the Authority has not assessed if standard is relevant, there may be a risk of material misstatement if recognition of revenue is incorrect and new disclosure requirements are not included in the financial statements.

What did we do?

- Assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered application to the Authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Checked additional disclosure requirements are correctly included.

What are our conclusions?

Following a review of the Council's assessment of the impacts of the implementation of IFRS 15 we conclude that the impact is not material to the financial statements. No issues have been identified in this area.



Areas of Audit Focus



Other matters

In 2018/19 Ministry for Housing, Local Government and Communities took the decision to defer the implementation of IFRS 16 (Accounting for leases) in 2019/20 to 2020/21. As a result we did not undertake a detailed review of the preparedness but recommended that the Authority continued to plan to implement the new standard commenced during 2019. We will discuss the Authority's progress to implement IFRS 16 as part of our audit planning for 2019/20.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below. These matters should be included where we have identified a potentially material impact arising in 2019/20;

- ▶ The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (19/20 Code Cpt 2.1 refers):
 - new definitions of assets, liabilities, income and expenses
 - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
 - enhanced guidance on measurement bases
- ▶ Guidance in the treatment of the Apprenticeship Levy (19/20 Code Cpt 2.11 refers)
- ▶ Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation and LOBOs (19/20 Code Cpt 2.11 refers)
- ▶ Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (19/20 Code Cpt 9 refers)



03 Audit report



Audit Report

Example Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HINCKLEY AND BOSWORTH BOROUGH COUNCIL

Opinion

We have audited the financial statements of Hinckley and Bosworth Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- The related notes to the Core Financial Statements 1 to 40, and
- The Expenditure & Funding Analysis, Note to the Expenditure & Funding Analysis and Supplementary Analysis for the CIES;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 10
- Collection Fund and the related notes 11 to 15

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hinckley and Bosworth Borough Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 for the audit of the financial statements section of our report below. We are independent of the authority 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 the Comptroller and Auditor General's (C&AG) AGN01, 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

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 Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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 other information comprises the information included in the Statement of Accounts set out on pages, other than the financial statements and our auditor's report thereon. The Head of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



Audit Report

Our opinion on the financial statements

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014; we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Head of Finance

As explained more fully in the Statement of Responsibilities set out on page 21, the Head of Finance 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority 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 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.



Audit Report

Our opinion on the financial statements

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Hinckley and Bosworth Borough 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 under the Code of Audit Practice in satisfying ourselves whether Hinckley and Bosworth Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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, Hinckley and Bosworth Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

Until we have completed all procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the Chief Executive of Hinckley and Bosworth Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Executive of Hinckley and Bosworth Borough Council and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Associate Partner)
Ernst & Young LLP (Local Auditor)
Reading
Xxx 2020

The maintenance and integrity of the Hinckley and Bosworth Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

Uncorrected misstatements

We have identified the following misstatements greater than £55k which have not been corrected by management.

- A judgemental variance relating to the impact of the Guaranteed Minimum Pension (GMP) on the pension liability. £172k understated.
- A judgemental variance relating to the impact of the McCloud judgement on the pension liability. £384k understated.
- An error in the MRP calculation relating to the old-regime capital financing. £89k understated.

No related party declaration was obtained for one Councillor.

These items have not been amended. Individually and cumulatively the items are not material to the financial statements.

Corrected Misstatements

We have identified the following misstatements greater than £55k which have been corrected by management;

- The year end Finance Lease liability was incorrectly calculated (£153k overstated), with corresponding overstated prepayment (£188k overstated). The £35k variance was a required addition to finance costs (expenditure).
- The current finance lease liabilities (£427k) are incorrectly classified on the balance sheet as a long term creditor.
- The prior year current finance lease liabilities (£152k) are incorrectly classified on the balance sheet as a long term creditor.
- Collection fund debtors / creditors (£1,787k overstated) were incorrectly shown as gross positions within the balance sheet.
- The prior year collection fund debtors / creditors (£1,732k overstated) were incorrectly shown as gross positions within the balance sheet.
- The prior year Capital Financing Requirement was incorrectly stated (£1,017k overstated).
- The cash flow statement contained errors relating to PPE sales proceeds, movement in provisions, lease payments
- A disclosure error in relation to Exit Packages.
- A disclosure error in relation to Senior Officer Remuneration (banding).
- Classification and value errors in relation to Financial Instruments.
- A disclosure error of the HRA receipts.
- A related party was omitted from the related parties note.

These items have been amended within the financial statements.



Audit Differences

Summary of audit differences

In addition we highlight the following misstatements to the financial statements and/or disclosures. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the **Audit and Accounts Committee** and provided within the Letter of Representation:

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Identified misstatements 31 March 2019	:	Balance Sheet (Decrease)/Increase				
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Reserves Debit/ (Credit)
Errors						
Known differences:						
GMP equalisation impact on pension liability - judgemental estimation variance	£172k				(£172k)	
GMP equalisation impact on pension liability - judgemental estimation variance	£384k				(£384k)	
Understatement of Minimum Revenue Provision – resulting from old regime CFR calculation error:					General Fund: CAA:	£89k (£89k)
Turnaround impact of prior year (2018/19) misstatement: Overstated Collection Fund creditor	£310k					

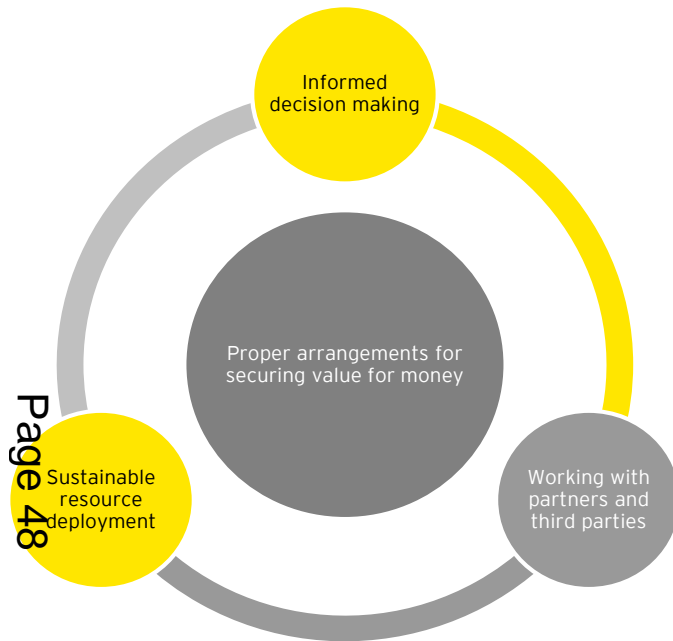


05

Value for money conclusion



Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified one significant risk around these arrangements. The tables below present our findings in response to the risks in our Audit Planning Report.

We have not yet completed our procedures on value for money. At present, we have not identified any issues with the Authority's arrangements.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
The Council's Medium Term Financial Strategy (MTFS) for the period 2019/20 to 2023/24, shows that there is a gap between funding and expenditure. The MTFS shows that the Council will need to use reserves to meet its planned expenditure	Deploy resources in a sustainable manner	<p>At 31 March 2019 the Authority reported a £705k underspend against a forecast net expenditure budget of £13.7m. This meant that £156k less than budgeted could be transferred from reserves. The closing general fund position was £1.933m.</p> <p>The Council refreshed its Medium Term Financial Strategy and presented an updated one, for the period 2018/19 to 2023/24, to Council in February 2019. This shows that the Council has adequate reserves in place, but there are forecast reductions in the levels of reserves over the next 4 years. The Council's MTFS forecasts a recurrent transfer from balances in 2019/20 and for three more years from 2021/22 to 2023/24 with balances falling at the end of 2022/23 of £1.575 million, which is 11.47% of the net budgeted expenditure and below the Council's self imposed target of 15%. However, despite the fall below the self imposed target. The Council's position will still enable it to deliver the required services at this time.</p> <p>The Council's Medium Term Financial Strategy has been underpinned by adequate financial forecasts in terms of savings plans, risks and assumptions which have been disclosed and reported by management to Members throughout the 2018/19 financial year. We concluded that sufficient consideration has been given to potential impacts on the financial environment of the Council, specifically to future core funding, and also to potential impacts on expenditure and income streams.</p>



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to raise.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. To date, we have not identified any such findings.



07

Assessment of control environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08 Data analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures to supplement our analytical review procedures.



Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

EY Helix - GLASS: Journal Entry Data Insights - Hinckley and Bosworth Borough Council - 31/03/2019

Facts and Figures

Number of Journals Posted:
12,356

Average Number of Journals Posted per Day:
41

Average Number of Lines per Journal:
24

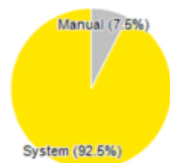
Operational Efficiencies

Manual Journals Posted at weekend:
1

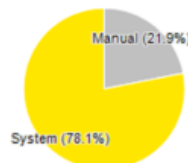
Manual journals where gross amount is < £5:
8

Journal lines with zero value:
0

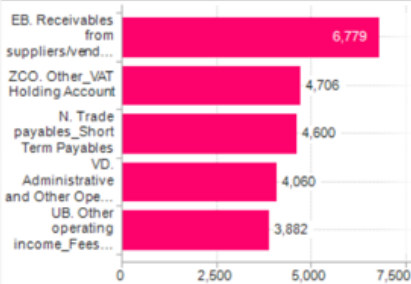
Manual v System by Volume



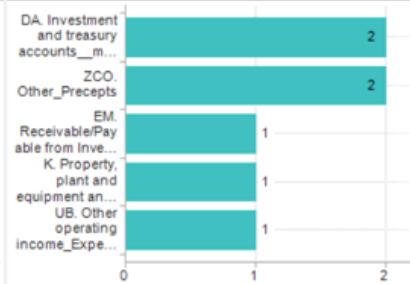
Manual v System by Value



Top Five Activity Accounts



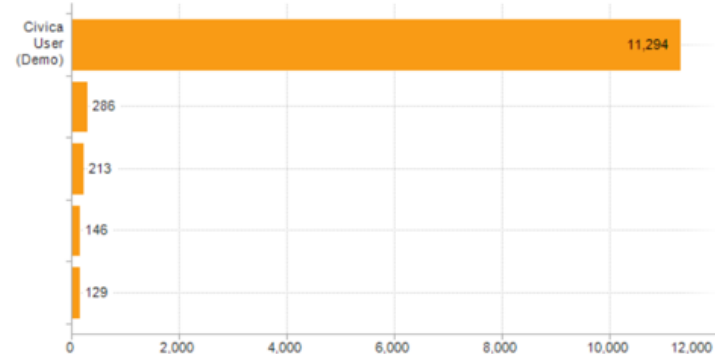
Bottom Five Activity Accounts



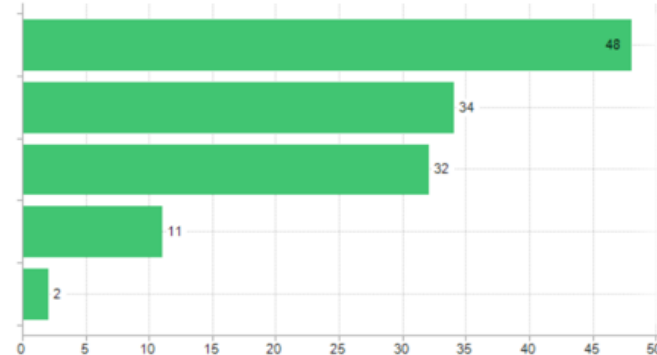
Days of the Week



Top Five Preparers



Bottom Five Preparers





Journal Entry Testing

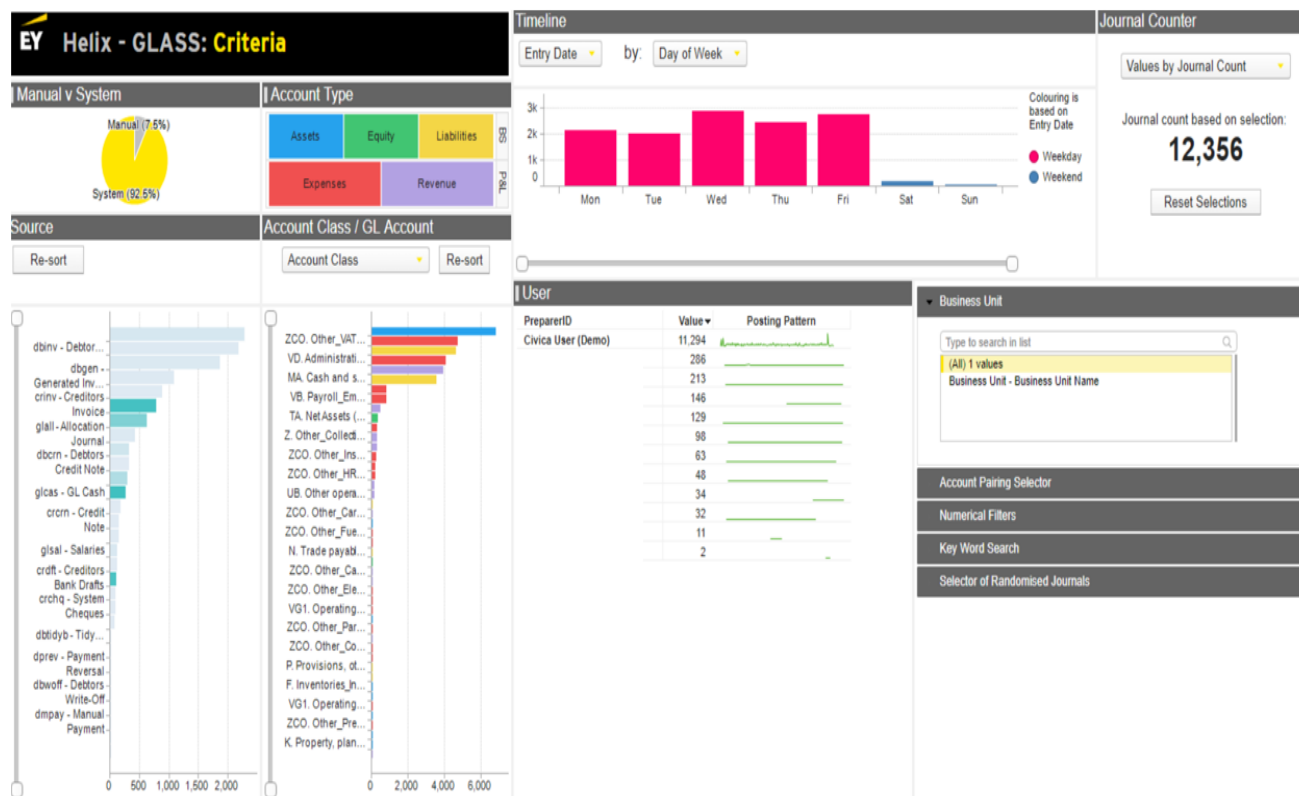
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – 31 March 2019

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 25 March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. **In** our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 31 October 2019.

We confirm we have not undertaken any non-audit work outside the PSAA Code requirements.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors 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 the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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Services provided by Ernst & Young

The next slide includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the audit fee table on the next page has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee analysis

[As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended [XX Month 200X].

We confirm that we have [not] undertaken non-audit work outside the NAO Code requirements [detail any non-audit work performed.... Non-audit work is work not carried out under the Code]. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Final Fee 2018/19	Planned Fee 2018/19	Final Fee 2017/18
	£	£	£
Total Audit Fee - Code Work	TBC	38,046	49,410
Non-audit work (Grants Claim work)	n/a	n/a	14,850






10 Appendices





Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit planning report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report and Audit results report
Internal confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Audit results report

Example Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
Apex Plaxa
Forbury Gardens
Reading
RG1 1YE

This letter of representations is provided in connection with your audit of the financial statements of Hinckley and Bosworth Borough Council ("the Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Hinckley and Bosworth Borough Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.

We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the audit because [specify reasons for not correcting misstatement]

Example Management representation letter

Management Rep Letter

Non-compliance with law and regulations, including fraud

We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others;
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Information Provided and Completeness of Information and Transactions

We 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 matters;

Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

We have made available to you all minutes of the meetings of the Full Council, Cabinet and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date : 15 January 2020

We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year-end. These transactions have been appropriately accounted for and disclosed in the financial statements.

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable

We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Example Management representation letter

Management Rep Letter

Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed to you all guarantees that we have given to third parties.

Subsequent Events

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises The Annual Governance Statement and Narrative Statement.

We confirm that the content contained within the other information is consistent with the financial statements.

Other information is financial and non-financial information (other than the financial statements and the auditor's report thereon) included in an entity's annual report.

Comparative information

In connection with your audit of the comparative financial statements for the year ended 31/03/2018, we represent, to the best of our knowledge and belief, the following:

The comparative information to Note 32 (Capital Expenditure and Capital Financing) was amended to correct for the reversal of a deferred capital receipt (£1.017m) and the impact on the capital financing requirement.

The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this this restatement has also been included in the current year's financial statements.

There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the financial statements for the year ended 31/03/2018 are solely the result of reclassifications for comparative purposes.

Reserves

We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



Appendix B

Example Management representation letter

Management Rep Letter

Accounting Estimates

Valuation of Pension Asset / Liabilities, Property, Plant and Equipment, and NDR Appeals Estimates

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that the significant assumptions used in making the estimated valuations of Pension Asset/Liabilities, Property, Plant and Equipment, and NDR Appeals appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the council financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Ashley Wilson
s151 Officer

Cllr DS Cope
Chair of the Audit Committee

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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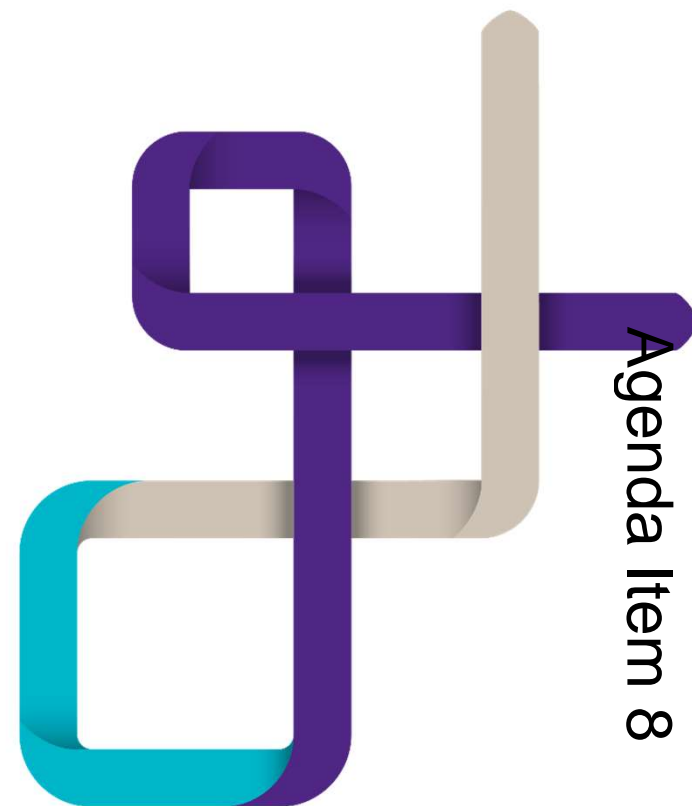
Progress Report

Year ending 31 March 2020

Hinckley and Bosworth Borough Council

11 March 2020

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Introduction & headlines

Purpose

This report provides an update on progress against the 2019/20 internal audit plan as at February 2020.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a council. We pose a series of challenge questions in respect of these emerging issues, which the committee may wish to consider. Please note these challenge questions do not require a response for audit purposes.

Final reports issued

We have finalised two audit reports since the last Audit Committee meeting.

Audit Completed	Overall assurance rating
Planning enforcement	Significant assurance with some improvement required
Revenues and benefits partnership – DWP Memorandum of Understanding	Significant assurance

Work completed

We have completed 74 days of our annual internal audit plan and 31 days of additional work as at 25 February 2020.

In addition to the above reports, we have also completed the Housing Revenue Account business plan audit and will be issuing as final to the next committee. The Revenues and Benefits MOU report will first be considered by the Revenues and Benefits Joint committee before being presented to the next Audit Committee meeting.

Changes to the audit plan since the last update

There are no further changes to the plan.

Work in progress

The following reviews are nearing completion of the field work and we anticipate will be brought to the next committee:

- Housing voids
- Investment property management
- Cashless parking

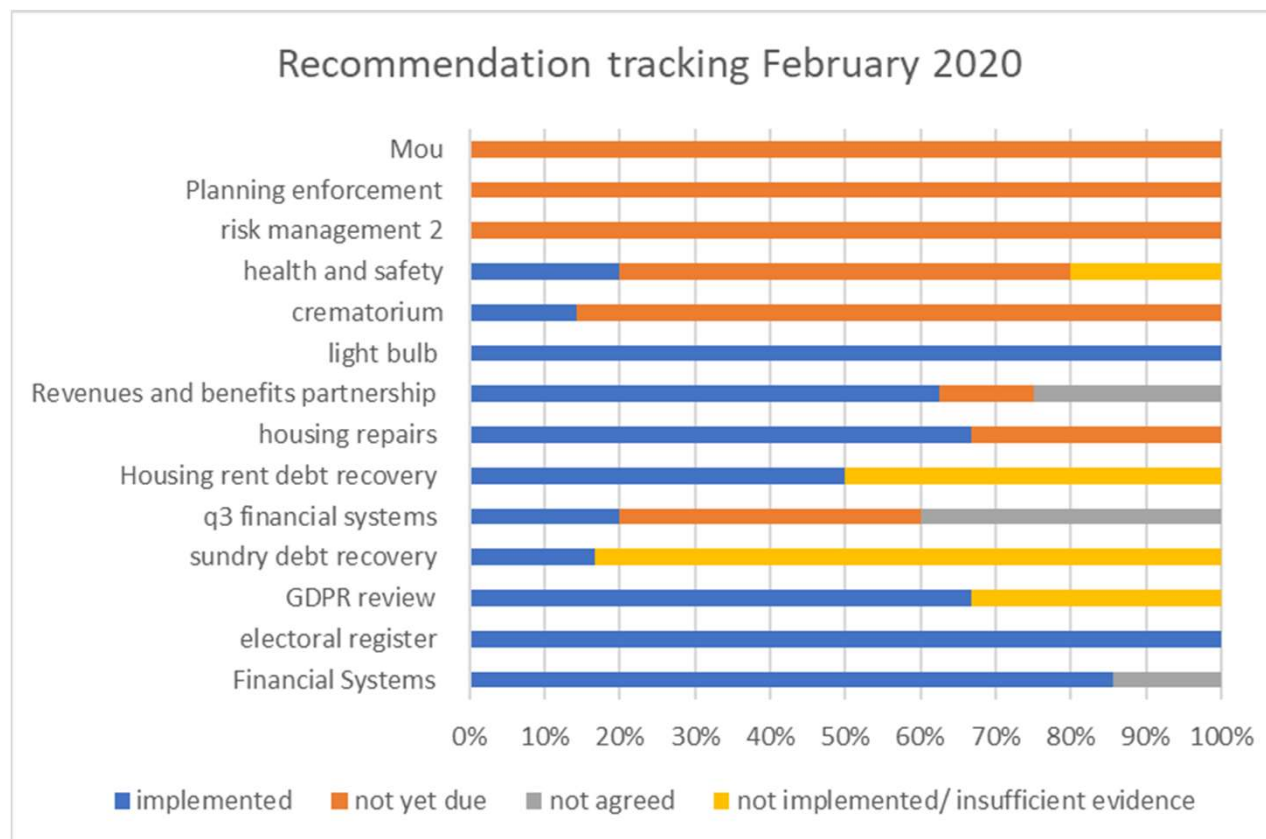
We have agreed with management that the scope of the housing voids is larger than at initial planning and thus some of the contingency days (three) are to be allocated to this review.

Resourcing the internal audit plan

We confirm that we have sufficient internal audit team members available to deliver the remainder of the audit plan on time. We will flex the plan where needed for emerging priorities and to accommodate timescales requested by management.

Recommendation Tracking

The graph below summarises the status of internal audit recommendations issued in 2018/19 and 2019/20. 66 recommendations have been issued.



Progress against 2019/20 internal audit plan

Internal Audit area	Planned days	Indicative timing	Scope meeting held	APB agreed	Fieldwork started	Fieldwork completed	Debrief held	Draft report	Management response received	Final report	Days used
Key financial systems 1	7	Q3						To be reported together with Key financial systems 2			7
Key financial systems 2	7	Q4									
Risk management	7	Q3									7
Investment property management	12	Q4									10
Housing options – homelessness	10	Q4									0.5
Housing voids (repairs)	9	Q4									8
Planning enforcement	12	Q3									12
Waste management	12	Q4									0.5
Building control	11	Q4									0.5
Revenues and benefits partnership	12	Q3									12
Cashless parking	11	Q4									3
Sub-total	110										60.5
Recommendation follow up	3	Ongoing									2.5
Contract management	4	Ongoing									3
Annual risk assessment and planning	3	Complete									3
Audit committee and meetings	2	Ongoing									1.5
Contingency	8	N/a									3.5
Total	130										74

Additional work completed outside of the 2019/20 plan

Internal Audit area	Planned days	Indicative timing	Scope meeting held	APB agreed	Fieldwork started	Fieldwork completed	Debrief held	Draft report	Management response received	Final report	Days used
Leisure centre management contract	2	Q2		N/a							1
Housing benefits subsidy	30	Q3		N/a							30
Total	32										31

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Public
Sector
Update

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "The index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement. The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."

At the launch of the index in December, CIPFA commented "the index analyses council finances using a suite of nine measures including level of reserves, rate of depletion of reserves, external debt, Ofsted judgements and auditor value for money assessments."

CIPFA found that against these indicators the majority of councils are not showing signs of stress. But around 10% show "some signs of potential risk to their financial stability."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index/>

Financial Resilience

Challenge question:

Has your Authority used the CIPFA index and fed back the key messages?

Hinckley and Bosworth Borough Council

Planning Enforcement Internal Audit report

February 2020
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Report distribution:

For action:

- Planning Management staff

Responsible Executives:

- Director (Environment and Planning)

This report is confidential and is intended for use by the management and directors of Hinckley & Bosworth Borough Council. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the Council's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

Executive Summary

Background

An audit of the planning enforcement processes was undertaken as part of the approved internal audit plan for 2019/20.

Planning enforcement is a discretionary function of the council, which is part of the Council's planning department. The service supports the Council meeting its corporate priorities under 'Places'; Protecting the Environment.

The Planning Enforcement Team at Hinckley and Bosworth Borough Council investigates alleged breaches of planning control, including:

- Breaches of planning conditions
- Unauthorised changes of use of buildings and land
- Unauthorised development

The statutory basis for planning enforcement action is contained in the Town and Country Planning Act 1990 and the Listed Buildings and Conservation Areas Act 1991.

The work of the department is mainly reactive in response to enquiries and complaints received.

The performance of planning enforcement is measured against a series of timeline based indicators. Key stages of the process are dated and documented using the Uniform database and accompanying file management software.

The enforcement team is not currently operating at full capacity. There are currently four FTE posts: Team leader, Senior Enforcement Officer and two Career Grade Enforcement Officers. There is also administrative support provided to the team but this is a generic role which serves the whole of the development management team. Consultants are currently covering both the Team Leader and Senior Enforcement Officer roles and will be in post for an extended period until 4/7/2020 due to unsuccessful recruiting drives last year. Currently there is only one permanent member of the team in the Enforcement Assistant role (Career Grade). A further recruitment drive is scheduled for 2020 to try to recruit full time permanent officers to the three vacant positions. The Team Leader's job description includes a number of activities designed to review and improve current working practices but we understand that the present vacancies mean that these activities have been delayed by a need to manage workload pressures within the team.

Objectives

The objective of the review was to provide an independent assessment of the arrangements in place to ensure the council responds appropriately to potential breaches of planning regulations. The review focused on the following key risks:

- There are not clear policies and procedures in place for planning enforcement
- Inadequate records are kept to demonstrate that work has been undertaken in line with procedures
- Management does not receive adequate or timely information to be assured that work undertaken is in line with the agreed timetables and procedures
- Complaints and enquiries are not dealt with in a timely way or properly investigated in line with procedures

We achieved these aims by;

- Reviewing the Council's policies and procedures for Planning Enforcement
- Assessing whether management reporting arrangements provide assurance that work is being undertaken in line with agreed procedures.
- Testing whether enquiries and complaints received are prioritised and investigated in accordance with set targets

Limitations in scope

Please note that our conclusion is limited by scope. Our findings and conclusions will be limited to the risks outlined above. The scope of this audit does not allow us to provide an independent assessment of all risks and across the entire debt recovery process.

Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.

Executive Summary

Conclusion

Significant assurance with some improvement required

We have reviewed the Council's processes and controls around Planning Enforcement. The controls tested are set out in our Audit Planning Brief.

We have concluded that the processes **Significant assurance with some improvement required** to the Committee.

Good practice

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The Enforcement Team has been operating with three officers since February 2019 with the Team Leader covering team management as well as an ongoing caseload. From February 2019 to August 2019 there were two permanent members of staff however the resignation of the enforcement officer has resulted in the team having two consultants in post covering the team leader, senior enforcement officer and career grade enforcement officer roles. Despite this a good quality service is being maintained with the team dealing with complaints in a timely manner.

2. The Council has a published protocol which is readily available to external parties and clearly sets out expectations for the service.
3. There are sound arrangements place for monitoring and reporting performance. Members have the opportunity to understand, challenge and review performance through the Finance and Performance committee and planning committee periodic reporting.
4. Performance data is collated and feeds into the performance management system 'TENS' which is regularly considered by management and performance and actions taken challenged.

Areas for development

1. The published Planning Enforcement Protocol is out of date and is not consistent in all areas with procedures in place.
2. There a lack of segregation of duties relating to the closure of planning enforcement cases.
3. It should be ensured that correspondence with complainants is documented on file at all key decision points, particularly where it is decided that there is a breach and a course of action is to be taken.

Recommendations

Based on our findings, we have raised 1 medium level recommendation, 2 low level recommendations and 1 improvement level recommendation to address the weaknesses identified.

	High	Med	Low	Imp
Detailed findings	-	1	2	1

Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

Key Findings & Recommendations

Process risk	Description
<div>There are not clear policies and procedures in place for planning enforcement</div> <div>Page 85</div>	<p>We have reviewed the Council's planning enforcement protocol for appropriateness and completeness. We then used this to form our discussions with the Planning Manager and Team Leader and as a basis to walk through the key controls and gain an understanding of processes in place.</p> <p>The Council has produced a comprehensive protocol for planning enforcement which clearly details the key processes in place, sets out time based performance targets, makes reference to relevant legislation and provides information on decision making and prioritisation of cases.</p> <ul style="list-style-type: none"> ▪ Key stages of the planning enforcement process are recorded and documented using the 'uniform' database and 'anite' file management software. These are monitored regularly by management. Key decisions are signed off by management before proceeding and formal correspondence is autogenerated to avoid human error. Software requires user login and authorising access to close files is only given to senior officers. ▪ The enforcement team has a departmental inbox into which allegations are received. It is our understanding that this is managed on a daily basis by the team leader and the process is that complaints are either responded to immediately or the administration officer opens an investigation, acknowledges the complainant of its receipt and allocates it to an enforcement officer (as assigned by the team leader). ▪ Complaints are acknowledged within 3 days of receipt via an autogenerated letter which is sent to the complainant and documented on Uniform. ▪ A history check is carried out on the property to which the allegation refers and if required a site visit is carried out within 1 working day for high priority cases (illegal works) and 7 working days for all other cases. Site photos and details are documented in Uniform. ▪ Following initial investigation (which may require further site visits) a decision is made as to whether there is: no breach, there is a breach but it is not expedient to take action or there is a breach and a course of action must be taken. For cases which there is no breach or it is not expedient the case file is closed within 14 working days. For cases where it is decided there is a breach and further action is deemed expedient, a course of action must be logged within 21 working days. It is common practice for the complainant to be informed of the decision at this point however this is not formally documented. ▪ Following a course of action being taken there is a range of possible outcomes and timelines based on the response of the allegation property owner. As these outcomes are largely out of the authority's control, no formal performance indicators are currently in place for this part of the process. ▪ Once the case has reached its conclusion the recommending officer must prepare a report which justifies the reasons for case closure. This is then signed off by an authorising officer and the complainant is notified. The authorising officer documents the closure and reasoning in Uniform. ▪ Alongside the shadowing of more senior officers, formal training is also required through specifically identified courses appropriate to the relevant role. We viewed certification that an Enforcement Officer had attended 'Introductions to Investigations and PACE' dated 5/12/19.

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>There are not clear policies and procedures in place for planning enforcement</p>	<p>Key findings</p> <ul style="list-style-type: none"> ▪ The Council has a clear published planning enforcement protocol which is readily accessible through the council website and other external search engines. This clearly sets out the enforcement process and timelines to enable customers, members of the public and other users of the service to understand the enforcement process in place at Hinkley and Bosworth Council and what outcomes they can expect. It sets out service standards which should also form the basis of performance monitoring. ▪ We noted that the protocol was drafted in 2015, and our review, discussions with management and testing indicated that some of the timelines (rather than the processes themselves) within the protocol are out of date. However there is clarity at a departmental level of the planning enforcement process and timetables because key timelines are clearly defined as performance indicators within the Council's management system (TEN), the key stages of the process are set out as documentable actions in the software used to document cases (Uniform database) and weekly/monthly reviews at case officer and management level respectively are based around these timelines and processes. ▪ Our testing demonstrated that there are appropriate arrangements in place for all new cases, from various sources, to be recorded and documented using the 'uniform' database and 'anite' file management software. We have seen that the data from these systems is used for management purposes and to feed the department and Council's performance management monitoring. ▪ Whilst the Council sets out clear expectations through the protocol, inconsistency between this and the processes followed by the department is a weakness and the protocol should be updated and republished. <p>Recommendation:</p> <p>Issue identified: The published protocol is out of date and processes and timelines followed by departmental staff are not in line with the protocol in some areas. This means that there could be a difference in expectations communicated with 'customers' and the actual arrangements in place.</p> <p>Root cause: This forms part of the team leader's ongoing performance actions but staffing issues have resulted in this being delayed until the current vacancies have been filled.</p> <p>Risk: Whilst there may be clarity within the department around procedures and timetables, this is not clearly documented and could result in different expectations between officers and users of the service.</p> <p>Recommendations: The Council updates and republishes the planning enforcement protocol, in particular the flowchart and targets stated in the Appendices, should be updated to reflect the actual targets in place.</p> <p>Overall conclusion: Whilst timetables and procedures are embedded within software, the protocol is the key document which formally sets out working procedures and policies. As the protocol is a key document and is an internal and external facing document and is out of date in some areas, including targets against which performance is monitored we consider this to be a low risk recommendation.</p>	<p>Actions: Deletion of the current Enforcement Policy and the introduction of an Enforcement Plan as recommended by the National Planning Policy Framework (NPPF). Re-evaluation of existing targets will be considered to reflect current working practices, which will form part of the Enforcement Plan.</p> <p>Responsible Officer: Sally Hames (Team Leader)/Equivalent following recruitment</p> <p>Executive Lead: Matthew Bowers (Director (Environment and Planning))</p> <p>Due date: 31/3/2021</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>There are not clear policies and procedures in place for planning enforcement</p>	<p>Key findings</p> <ul style="list-style-type: none"> • Key stages of the planning enforcement process are recorded and documented using the 'uniform' database and 'anite' file management software. These are monitored regularly by management. Key decisions are signed off by management before proceeding and formal correspondence is autogenerated to avoid human error. • There are appropriate controls over access to software and data through user login controls. • The protocol states before closing a case, the case officer must justify the reasons for closure and this must be signed off by the Planning Manager. The complainant is informed of closure and reasons for doing so. When a final decision is made on the case, authority to close files is only given to senior officers. • The team leader is a delegated authorising officer but is also acting as a Recommending officer, this means that she has the ability to close her own case files. We consider that this is a weakness in control as there should be segregation of duties between recommending and authorising officers. <p>Recommendations:</p> <p>Issue identified: Whilst only senior officers have authority to sign off closure of cases, some senior offices have responsibility for cases and consequently are able to sign off their own cases. A key control is that there would be an independent confirmation of decisions and sign off of cases.</p> <p>Root cause: The relatively small number of staff in the department and ongoing vacancies, means that some officers are acting as recommending and authorising officers, and thus there is no separation of duties in the task, for some cases.</p> <p>Risk: Separation of duties between recommending and authorising officers is a key control in the process and is not in place for all cases. This raises the risk of error or inappropriate decisions not being identified.</p> <p>Recommendations: All case closures should be signed off by an independent officer.</p> <p>Overall conclusion: The team leader is a delegated authorising officer but is also acting as a recommending officer, this means that she has the ability to close her own case files. We consider that this is a weakness in control as there should be segregation of duties between recommending and authorising officers. As this is a weakness in a key control, we consider that this is a medium risk recommendation</p>	<p>Actions:</p> <p>To address this current weakness control measures have been put in place whereby the Planning Manager (Development Management) will authorise closure of any of the team leader's cases.</p> <p>Responsible Officer: Nicola Smith (Planning Manager)</p> <p>Executive Lead: Matthew Bowers (Director (Environment and Planning))</p> <p>Due date: Complete</p>

Key Findings & Recommendations

Process risk	Description
<p>Inadequate records are kept to demonstrate that work has been undertaken in line with procedures</p>	<ul style="list-style-type: none"> ▪ Key stages of the planning enforcement process are recorded and documented using the 'uniform' database and 'anite' file management software. These are monitored regularly by management. Key decisions are signed off by management before proceeding and formal correspondence is autogenerated to avoid human error. Software requires user login and authorising access to close files is only given to senior officers.. ▪ Complaints should be acknowledged within 3 days of receipt. Their receipt and the acknowledgement letter should be documented. ▪ If required following a history check on the allegation address, a site visit should be carried out within 1 or 7 working days depending on the priority of the case. Site photos and other relevant details should be documented. ▪ Where necessary a site visit is undertaken within 1 working day for illegal works (high priority) and within 7 working days for all other cases. Following the initial investigation which may require more than 1 visit, where there is no breach or it is not considered expedient to take action (where works are de minimis or acceptable in planning terms) a decision is made within 14 working days of receipt of the complaint. Where a breach is found and further action is required a decision is made within 21 working days. ▪ The recommending officer should prepare a report stating the reasons for case closure this should be documented and an authorising officer should sign this off with confirmed reasoning. ▪ For cases which are ongoing, any updates or correspondence should be documented to ensure the file is kept up to date and it remains clear what the current situation is. <p>Summary of work</p> <ul style="list-style-type: none"> ▪ We selected a sample of 25 cases which were started in 2019. We reviewed case files within the uniform database and accompanying attachments in the anite file management system to assess whether each case had been carried out in line with the Council's protocol, whether actions were undertaken in line with the timetable and whether there was appropriate documentation of actions, evidence and decisions.

Key Findings & Recommendations

Risk Area	Findings and Recommendation
<p>Inadequate records are kept to demonstrate that work has been undertaken in line with procedures</p>	<p>Key findings:</p> <ul style="list-style-type: none"> • In 24/24 (100%) relevant cases tested, receipt of the complaint was appropriately logged and we saw evidence that the complainant was notified within the specified 3 days, above the 98% target. • In 18/20 (90%) relevant cases tested, an initial site visit was made within the specified timeframe based on priority level, slightly below the specified target of 98%. In 2/20 cases this target was not met and the reasons for this undocumented • The target of 8 weeks for feedback to a complainant following the initial assessment period specified in the protocol is out of date. Instead we tested cases against the three decision dependent performance indicators which do not appear in the protocol but are detailed in TEN performance management system: <ul style="list-style-type: none"> - In 10/10 (100%) cases where there was no breach. The case file was closed within 14 days of receipt of the complaint, above the target of 90%. - In 13/14 (93%) cases where there was a breach and it was either not expedient or expedient the case file was closed or a course of action was logged respectively within 21 days, above the specified target of 80%. - 1 case was in relation to the dismissal of an appeal following rejection of initial planning permission and so not relevant to our testing. - In all cases the decision that had been made was clearly documented. - Following discussion with the Team Leader, the complainant is normally informed of the decision that has been made following initial assessment of the case in line with protocol. However we only observed this being documented where case files had been closed due to no breach or pursuit of breach not being expedient (10/24), never where cases were ongoing due to a breach with course of action being taken. - In 3/13 samples no correspondence with the complainant regarding the decision made had been documented despite the case being closed. - We recommend that in cases where there is a breach and a course of action is to be taken, correspondence with the complainant to inform them of this should be formally documented on file. Per discussion with Team Leader, this correspondence is common practice and assurance is gained that this has taken place as part of one-to-one case update meetings. • For all cases (12/12) that were ongoing and particularly where the council was awaiting external matters it was clear to us what action was being taken to ensure progress and to expediate conclusion of the case. • As referred to earlier in the report, we also noted that in one case an officer had signed off their own case without independent review.

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>Inadequate records are kept to demonstrate that work has been undertaken in line with procedures</p>	<p>Issue identified:</p> <p>When it is decided that there has been a planning enforcement breach, it is our understanding that the complainant is informed, however this has not always been documented on the file.</p> <p>Root cause: Current documentation procedures have not fully considered the importance of communicating progress with the complainant..</p> <p>Risk: Lack of documentation may lead to inefficient monitoring of communication with complainant and a subsequent increase in complaints regarding quality of service from the public. A lack of detailed documentation may also reduce the quality of information to management.</p> <p>Recommendations:</p> <p>Correspondence with complainants at all key decision points of the case should be clearly documented. This is particularly important where it has been decided that there is a breach and a course of action is to be taken.</p> <p>Overall conclusion:</p> <p>In the majority of cases where it is decided there has not been a breach or it is not expedient to pursue a breach, correspondence with the complainant has been documented as part of the case closure process. However, in cases where it has been decided that there has been a breach and a course of action is to be taken, correspondence informing the complainant of this decision has not been documented on file. Per discussion with the Team Leader, it is common practice to inform the complainant at this point in line with procedures and assurance of this is gained as part of the one-to-one case update meetings with the individual enforcement officers. Therefore we consider this to be a low risk recommendation.</p>	<p>Actions:</p> <p>a) Ensure complainants are notified of the initial outcome of the investigation and the 14 or 21 day target deadline and a record of this documented on Uniform.</p> <p>b) This procedure will form part of the updated protocol forming part of the proposed Enforcement Plan.</p> <p>Responsible Officer: Sally Hames (Team Leader)/Equivalent following recruitment</p> <p>Executive Lead: Matthew Bowers (Director (Environment and Planning))</p> <p>Due date: a) 1/4/20 b) 31/3/21</p>

Key Findings & Recommendations

Process risk	Description
<p>Management does not receive adequate or timely information to be assured that work undertaken is in line with the agreed timetables and procedures</p>	<p>Service performance</p> <ul style="list-style-type: none"> At a service level, Service improvement plans (SIPs) and performance indicators detailing performance against targets can be viewed by management on the Council's bespoke 'TEN' software at all times. Performance Indicators are updated monthly/quarterly depending on their nature and are available to management. Each indicator has a 'collector' who has authorisation to update. Each indicator also has an owner responsible for ensuring that the indicator performance remains up to date. A traffic light system is used to show whether there is any slippage against targets. Any amber or red indicators will be included in the quarterly report which is presented to management and members, and must be accompanied with an explanation of why the target has been missed. If indicators have not been updated sufficiently then Consultation & Improvement Officer will chase the relevant owner/head of department on a quarterly basis. As at 6/11/19 there were 5 performance indicators relating to planning enforcement, 2 at a Corporate level and 3 at a Service level: <ul style="list-style-type: none"> (LIB080i): Complaints responded to within 3 days. (LIB070iii): Complaints responded to within 7 days. (PE1): No Breach = Close file within 14 days (PE2): Not Expedient = Close file within 21 days (PE3): Breach = Course of action determined within 21 days Monthly update meetings are held between the Team Leader and each individual Enforcement Officer during which all cases are discussed and actions agreed. Monthly planning management meetings are held, during which the enforcement caseload as a whole and performance against target indicators are monitored. Planning Enforcement Report taken to planning committee quarterly, the most recent being 7 January 2020. <p>Member Review</p> <ul style="list-style-type: none"> The terms of reference of the planning committee doesn't include specific reference to planning enforcement. However, we note that a planning enforcement overview report is taken periodically, the most recent being 7 January 2020. This report provides a useful overview of ongoing cases and performance summary data for members. The 'Finance and Performance Scrutiny' committee meets on a quarterly basis. Performance indicators for all services are reported at these meeting and it provides an opportunity for members to consider and challenge service performance. We have seen that Planning enforcement information is included in this report and exceptions are considered.

Key Findings & Recommendations

Process risk	Description
Management does not receive adequate or timely information to be assured that work undertaken is in line with the agreed timetables and procedures	<ul style="list-style-type: none"> ▪ We have reviewed the report presented at the 19th August 2019 'Finance and Performance Scrutiny' meeting which was based on the data from Quarter 1 2019/20. ▪ Performance indicators where targets have changed, performance has not been provided, performance is below target or significantly above target, are highlighted. ▪ At this meeting two indicators relating to planning enforcement were raised as they were below target: <ul style="list-style-type: none"> - (LIB070iii): % enforcement complaints responded to in 7 working days (96/98%) and - (PE1): Close enforcement file within 14 days where there is no breach of planning (86.96/90%). ▪ In each case the % indicators and actual number of cases are shown as well as a brief explanation of why the targets were missed. ▪ The meeting minutes do not indicate that discussion of this underperformance specifically took place however they do indicate that the performance report was discussed and critiqued with members expressing concerns/requesting further information on certain risks/suggesting improvements to the general format and content of the report. ▪ Data is reviewed at various stages before being reported to management. <ul style="list-style-type: none"> - Monthly one to one meetings are conducted by the team leader with each individual enforcement officer. These are used to discuss each of their cases and agree actions. Immediately following these meetings the team leader will then formally confirm these agreed actions in preparation for these ongoing meetings. We observed an Enforcement Officer's case review resulting from their one-to-one meeting dated 20/11/19. - Performance data is collated by the Team Leader on a monthly basis and reviewed at monthly planning management meetings. - The planning manager is responsible for updating the performance data on the TEN system at least quarterly. - The team leader attends 3 monthly management meetings with various officers of the Planning Services Team and also attends the Council's Endeavour Tactical Meeting in which relevant senior officers and external bodies including the police and trading standards discuss community protection and enforcement concerns. We observed minutes from the 17th December management meeting which included presentation of enforcement performance monitoring and also the agenda for the 13/2/20 Endeavour Tactical Group meeting showing various enforcement related items. <p>These layered review processes provide sufficient segregation of duties for us to be comfortable that the information provided to management is accurate and timely. Our testing provides us with assurance that the underlying recording of progress on cases within the software is sufficiently reliable to provide management with reliable data on which to report to committee.</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation
<p>Management does not receive adequate or timely information to be assured that work undertaken is in line with the agreed timetables and procedures</p>	<p>Conclusions</p> <ul style="list-style-type: none"> ▪ We consider that there are appropriate arrangements in place for members of the Council to be appropriately informed about the key ongoing matters within planning enforcement, both in terms of key cases, and also on performance. ▪ We are satisfied that there is appropriate, relevant and reliable reporting to departmental and senior management about service performance as part of the Council's TENs reporting system. Although as referred to earlier in the report, there is some discrepancy between the targets in the protocol and those being used for performance monitoring and the protocol should be updated accordingly. ▪ We are satisfied that the information recorded in the underlying systems (Anite / Uniform) is accurate and there are appropriate arrangements in place for this to be fed into the TEN performance system, which is the basis of reporting to management and members. There is appropriate separation of duties in the process of reporting to management which reduces the potential for error or misreporting of performance. <p>Recommendations</p> <p>none</p>

Key Findings & Recommendations

Process risk	Description
Complaints and enquiries are not dealt with in a timely way or properly investigated in line with procedures	<p>Key stages of the planning enforcement process are recorded and documented using the 'uniform' database and 'anite' file management software. These are monitored regularly by management. Key decisions are signed off by management before proceeding and formal correspondence is autogenerated to avoid human error. Software requires user login and authorising access to close files is only given to senior officers.</p> <p>We selected a judgemental sample of 25 cases, reviewed whether each case has been carried out in line with protocol, meets specified target timeline and has been documented appropriately.</p> <ul style="list-style-type: none"> Complaints are prioritised as either high or standard, classification is based on specific types of planning breaches meaning the decision is prescriptive rather than subjective. The level of priority is recorded when the case file is setup on Uniform. Complaints should be acknowledged within 3 days of receipt. Their receipt and the acknowledgement letter should be documented. If required following a history check on the allegation address, a site visit should be carried out within 1 or 7 working days depending on the priority of the case. Site photos and other relevant details should be documented. A decision should be made within a specified timeline following receipt. Where there is no breach, the file should be closed within 14 days. Where there is a breach the file should either be closed if it is not expedient to take action or a course of action should be taken if further action is required within 21 days. The recommending officer should prepare a report stating the reasons for case closure this should be documented and an authorising officer should sign this off with confirmed reasoning. For cases which are ongoing, any updates or correspondence should be documented to ensure the file is kept up to date and it remains clear what the current situation is. The majority of cases are reactive in nature, the department's long term aim is to introduce a more proactive case load alongside this. We have discussed the current situation with management, what the scope of proactive work would look like and considered possible improvements that could be made to facilitate capacity for proactive work to take place. <p>Detailed results of sample testing and associated recommendations have been reported above (Page 9). We did not identify many cases that did not comply with the expected procedures and controls which is commendable with the level of current vacancies. However from our discussion with officers and our testing we note that the main impacts of limited staffing are separation of duties challenges, but we also note the frustration of officers to undertake proactive case work.</p> <p>The team leader has been required to take on a case role alongside the activities specified in her job role. The team leader is in place on a consultant basis and is contracted until 4/7/2020, which may negatively impact the general timeliness within which cases are currently dealt with.</p>

Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
Complaints and enquiries are not dealt with in a timely way or properly investigated in line with procedures	<p>A key area of proactive work is liaising with large and complex building development projects to ensure compliance with regulations throughout their work. This is a common source of complaints from the public as initial planning permission can often be seen as controversial to local residents.</p> <p>In addition, planning enforcement departments are a key interface between the Council and the general public. If they can be seen to complete proactive work this can have a significant positive impact on public perception of their local authority.</p> <p>Many of the complaints investigated are non-breaches or would be more suitably directed to other departments within the Council. An analysis of closed cases in the first half of 2019 taken from Planning committee minutes 17/9/19, shows that 49% of cases closed were not planning enforcement breaches. There may be scope to better 'triage' complaints within the council in order to make the best use of planning officer time.</p> <p>We also note that recruitment within planning enforcement is a challenge nationally. Salary benchmarking completed internally has shown Hinckley and Bosworth to be competitive in this respect. However, alternative methods for attracting and retaining staff must be devised in order to improve efficiency and reduce time wastage.</p> <p>Recommendations:</p> <p>Issue identified: Limited staffing and volume of non-breach complaints has lead to lack of separation of duties in some circumstances and halted capacity to complete proactive work.</p> <p>Root cause: Staff vacancies within the department and lack of initial vetting of complaints.</p> <p>Risk: Continuation or increase of these pressures may have a significant negative impact on performance and lead to deterioration of public perception.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> An online questionnaire style complaints form could be developed to filter complaints which are obviously not planning enforcement breaches. Where possible, contingency plans should be put in place ahead of the departure of the Team Leader and Senior Enforcement Officer in July 2020 should the Councils recruitment process be unsuccessful Review the current roles within the team and consider having a dedicated officer who is responsible for proactive monitoring and compliance <p>Overall conclusion: The department is performing well against targets despite staffing limitations. Development of new processes is unlikely to be feasible with current vacancies, therefore we consider this to be an improvement recommendation.</p>	<p>Actions:</p> <p>Recruit to vacant posts in Spring 2020. Review outcome of recruitment process if all posts are not filled</p> <p>Investigate methods to filter standard complaints and create a self service portal on the website.</p> <p>Look at best practice examples of dealing with monitoring and compliance and in bed these in the team</p> <p>Responsible Officer:</p> <p>Nicola Smith (Planning Manager)</p> <p>Executive Lead:</p> <p>Matthew Bowers (Director (Environment and Planning))</p> <p>Due date:</p> <p>September 2020</p>

Appendices

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Appendix 1 – Staff involved and documents reviewed

Staff involved

- Nicola Smith – Planning Manager
- Sally Hames – Team Leader
- Charlie Jones – Planning Enforcement Assistant

Documents reviewed

- Planning Enforcement Protocol
- Council Bodies Terms of Reference
- Planning committee report September 2019
- Performance and Risk Management Framework 1st qtr summary for 2019/20

Appendix 2 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
Significant assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice

