

Hinckley and Bosworth Borough Council

Annual Audit Letter for the year
ended 31 March 2020

September 2021



Building a better
working world

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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.psa.co.uk).

This 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 April 2018)' 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 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 Hywel Ball, 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.



Section 1

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Hinckley and Bosworth Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
Impact on the delivery of the audit	
▶ Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
Impact on our risk assessment	
▶ Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
▶ Disclosures on Going Concern	Medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
▶ Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.
Impact on the scope of our audit	
▶ Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk: <ul style="list-style-type: none">▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and▶ Agree IPE to scanned documents or other system screenshots.
▶ Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	
▶ Financial statements	Unqualified- the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended
▶ 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.

Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report. 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 initial Audit Results Report was presented on 24 November 2020 and final Audit Results Report distributed to the Audit Committee on 08 September 2021
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 09 September 2021

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

Helen Henshaw
Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities



Purpose

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 2019/20 Audit Results Report to the 24 November 2020, Audit and Standards Committee, representing those charged with governance. An updated, final Audit Results Report was distributed to the Audit Committee on 09 September 2021. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 1 May 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 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 (AGS). 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.

Section 3

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 other guidance issued by the National Audit Office and issued an unqualified audit report on 09 September 2021.

Our detailed findings were reported to the 24 November 2020 Audit Committee and final Audit Results Report circulated on 08 September 2021.

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

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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.</p>	<p>Our audit work found no evidence that management had attempted to override internal controls.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.</p> <p>This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation</p>

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
<p data-bbox="129 440 788 472">Risk of fraud in revenue and expenditure recognition</p> <p data-bbox="129 496 1644 592">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.</p> <p data-bbox="129 639 607 671">We focused on the following risk areas:</p> <ul data-bbox="129 687 1626 751" style="list-style-type: none"><li data-bbox="129 687 1626 751">▶ Inappropriate capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement. <p data-bbox="129 767 960 799">In order to address this risk we carried out the following procedures:</p> <ul data-bbox="129 815 1644 1034" style="list-style-type: none"><li data-bbox="129 815 1330 847">▶ Reviewed the appropriateness of expenditure recognition and capitalisation accounting policies;<li data-bbox="129 863 1644 959">▶ Using our data analytics tool to identified and tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that move expenditure to PPE balance sheet general ledger codes; and<li data-bbox="129 975 1644 1034">▶ Performed sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised.	<p data-bbox="1671 472 2136 600">Our audit work has not identified any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.</p>

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
<p>Valuation of PPE</p> <p>The fair value of other land and buildings represents significant balances in the council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>The Council will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/ overstated. 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>Management have chosen to use a different valuation specialist for the 2019/20 financial year. As a result, we have increased the risk profile attached to this area of the financial statements.</p>	<p>We engaged EY Real Estates to perform a review of assets. We identified a number of assets which fell outside of EY Real Estate's acceptable range. The net impact was not material - PPE understated by £64k.</p> <p>We identified one asset under construction (Ambion Court) which was incorrectly revalued in year. The impact was not material - PPE (AUC) understated by £237k.</p>
<p>To gain assurance in this area we:</p>	
<ul style="list-style-type: none">▶ Considered the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property. We also considered if there are any specific changes to assets that have occurred and whether these have been communicated to the valuer;▶ Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;▶ Considered changes to useful economic lives as a result of the most recent valuation;▶ Tested accounting entries have been correctly processed in the financial statements; and▶ Engaged EY Real Estates team to perform a review of the valuer's estimation methods and to review the valuation of a sample of assets.	

Financial Statement Audit (cont'd)

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

Other areas of higher inherent risk	Conclusion
<p data-bbox="116 438 548 470">Net pension liability valuation</p> <p data-bbox="116 486 1579 582">The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Leicestershire County Council.</p> <p data-bbox="116 614 1579 710">The Council's pension fund net liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £31,226k. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p data-bbox="116 742 1579 837">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 data-bbox="116 869 571 901">To gain assurance in this area we:</p> <ul data-bbox="116 901 1579 1372" style="list-style-type: none"><li data-bbox="116 901 1579 981">▶ Liaised with the auditors of Leicestershire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Leicestershire County Council.<li data-bbox="116 1013 1579 1125">▶ Assess the work of the Pension Fund actuary (Hymans Robertson) 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.<li data-bbox="116 1157 1579 1236">▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and in addition to the tasks originally set out in our audit plan:<li data-bbox="116 1268 1579 1372">▶ Reviewed the Council's calculation of the impact of the 'McCloud' and 'Goodwin' judgement noting that the post balance sheet events did not have a material impact on the pension liability and therefore are not required to be disclosed as post balance sheet event.	<p data-bbox="1579 470 2110 566">Overall our audit work did not identify any material issues in relation to the value of the Net pension liability valuation</p>

Financial Statement Audit (cont'd)

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

Other areas of higher inherent risk	Conclusion
<p data-bbox="129 424 443 453">NNDR Appeals Provision</p> <p data-bbox="129 464 1615 592">The Council calculates an NNDR (business rates) appeals provision in relation to appeals made by businesses which believe that the NNDR that they have paid in previous years was inflated due to an unreasonably high RV (Rateable value). The calculation involves a significant amount of estimation uncertainty and typically includes the use of an expert. As such, the value of the NNDR appeals provision is identified as an area which has an increased risk of material misstatement.</p> <p data-bbox="129 608 248 636">We have:</p> <ul data-bbox="129 655 1615 879" style="list-style-type: none"><li data-bbox="129 655 1615 719">▶ Reviewed the methodology behind the calculation for the NNDR appeals provision, testing the assumptions used and the calculations applied;<li data-bbox="129 735 1615 799">▶ Assessed the data used in the calculation - agreeing the values and attesting the completeness of appeals by agreeing to third party source information; and<li data-bbox="129 815 1615 879">▶ Enquired of management's specialist - obtain an understanding of their input into their process, their qualifications and expertise.	<p data-bbox="1615 456 2110 552">Overall our audit work did not identify any material issues in relation to the value of the NNDR Appeals Provision</p>

Financial Statement Audit (cont'd)

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

Other Risk	Conclusion
<p>Going Concern</p> <p>Covid-19 has created a number of financial pressures throughout Local Government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.</p> <p>There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.</p> <p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.</p> <p>However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.</p> <p>To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p> <p>To gain assurance in this area we:</p> <p>In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we sought a documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these included consideration of:</p> <ul style="list-style-type: none">▶ Current and developing environment;▶ Liquidity (operational and funding);▶ Mitigating factors;▶ Management information and forecasting; <p>Due to the impact of Covid-19, we also consulted internally with our risk department over the level of disclosure.</p>	<p>We reviewed managements Going Concern assessment and confirm their conclusion that the Council remains a Going Concern is based on reasonable and supportable assumptions.</p> <p>We also reviewed managements updated Going Concern Disclosure and confirmed it sufficiently detailed, transparent and accurately reflects managements underlying Going Concern assessment.</p>

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	<p>We determined planning materiality to be £1.072m (2018/19: £1.103m), which is 2% of Gross Revenue Expenditure.</p> <p>We consider Gross Revenue Expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council</p>
Reporting threshold	<p>We agreed with the Audit and Standards Committee that we would report to the Committee all audit differences in excess of £54k (2018/19: £55k)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: £1k materiality threshold
- ▶ Related party transactions. £1k materiality threshold
- ▶ We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

Value for Money



Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. 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.

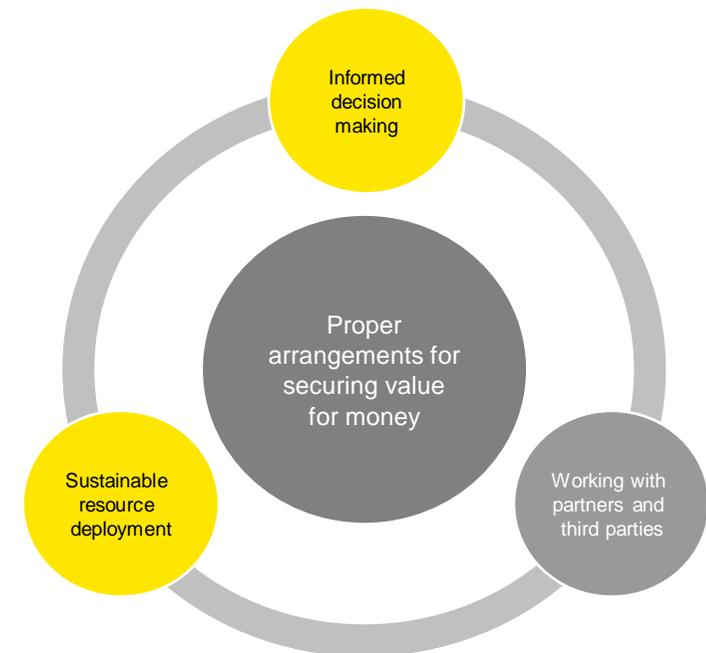
On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified a 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.

In addition, subsequent to the issuance of our audit plan we received correspondence from a member of the public raising concerns in respect of specifically Block C The Crescent Retail Centre and the arrangements with Places for Leisure to operate the Leisure Centre. We have performed procedures to follow up these concerns and found no evidence to suggest a significant risk to our value for money conclusion for the 2019-20 financial year.

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.



Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 09 September 2021.

Significant Risk	Conclusion
<p>Securing Financial Resilience (Deploy resources in a sustainable manner)</p> <p>In common with other Local Government entities, the Authority is facing significant financial pressures in the medium term. The Authority is forecast to have a General Fund Balance of £1.65m at 31/03/2020.</p> <p>The Medium Term Financial Strategy (MTFS) forecasts deficits over the next three years which would leave the Authority with adequate reserves at the end of the 2022/23 period. However, the sensitivity analysis within the MTFS shows that with reductions in income due to the phasing out of the New Homes Bonus and the resetting of the NNDR baseline would provide budget deficits as follows:</p> <ul style="list-style-type: none"> • 2020/21 - £123k • 2021/22 - -£46k (surplus) • 2022/23 - £326k <p>This decreases the General Fund Reserve to £1.25m by the end of the 2022/23 period, which is below the level of £1.63m considered acceptable by the Authority going into 2022/23. Given the uncertainty of the funding settlement post 2020/21 and the financial pressures set out above, we have considered this to be a significant area of focus in forming our value for money conclusion.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Reviewing the assumptions applied when preparing the MTFS; • Reviewing the process undertaken by the council to monitor progress of the strategic delivery plans; • Reviewing how the Authority has considered the impact of the Local Government settlement on the MTFS; • Reviewing the adequacy of plans that have been developed to identify future savings and the level of reported savings delivered in year; <p>There is evidence that management are challenging the current budget setting process and the assumptions within and assessing plans to mitigate challenges identified.</p> <p>Based on current forecasts, the Council will have changed their year end position from a forecast deficit to a surplus based on changes made in year.</p> <p>The council use of reserves is predicted to reduce year on year as a result of the action taken to increase savings and increase income streams.</p> <p>There is an increase level of uncertainty around Government announcements due on local government funding plans. This will be an area of consideration for 2020/21 audit.</p> <p>Our value for money conclusion was unqualified.</p>

A photograph of a business meeting in progress. Several people are seated around a dark wooden conference table, looking at documents. A woman with blonde hair is in the foreground, resting her chin on her hand and looking intently at the papers. Other participants are visible in the background, some standing and some seated. The scene is brightly lit, suggesting a modern office environment.

Section 5

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.

Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

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 on 24 November 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.

Our audit identified one control issue to bring to the attention of the Audit Committee, as follows:

Description	Management's response
We noted that the revaluation reserve per the financial statements does not agree to the sum of individual fixed asset revaluation reserves per the fixed asset register. The value per the financial statements is £207k greater than as per the fixed asset register.	Management are working to identify the cause of the error. The variance is not material to the financial statements. Management are looking to make the amendment within the 2020/21 financial year.

A hand is holding a bright yellow rectangular box over a row of file folders. The folders are arranged in a row, each containing a stack of papers. The folders have colored tabs at the bottom: white, light blue, white, light blue. The papers are mostly white, with some showing text and tables. The background is a light-colored wall with a subtle pattern.

Appendix A

Audit Fees

Audit Fees

Our fee for 2019/20 is set out in the table below.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee	38,046*	38,046	38,046	38,046
Scale fee variation				
Audit of land and building valuation including use of specialists	4,229			
Covid-19 – Going Concern and consultation	3,965			
Covid-19 – Impact on risk assessment	577			
Covid-19 – Additional time incurred in performing the audit remotely	2,414			
Total Audit Fee **	11,185			12,600***
Other non-audit services not covered above (Pooling of housing capital receipts)	5,000			5,000

* As communicated in our Audit Planning Report dated 7 April 2020, we believe that a more sustainable and realistic scale fee for the Audit of Hinckley and Bosworth Council, reflecting the increasing regulatory requirements on external audit, and the extent of estimation within the financial statements would be in the region of £70,000.

** All audit fee variations are additional to the PSAA scale fee and will be subject to agreement with the s151 Officer, and then PSAA.

*** Scale Fee Variation for 2018/19 relates to additional audit work relating to: GMP and McCloud impact on the pension liability valuation, prior period adjustments relating to collection fund creditor / debtor classification, new finance leases and related calculations and disclosure, minimum Revenue Provision calculation, and errors identified within the draft accounts.

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