

# Leicester City Council Progress Report and Indicative audit risks

**Year ending 31 March 2022**

16 March 2022



# Contents



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## Section

Introduction

Financial Statements Audit 2021/22

Value for Money 2021/22

Certification Work

Appendix 1: Informing the audit risk assessment

Appendix 2: Sector Update

## Page

3

4

7

8

9

37

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

This document provides an overview of the indicative planned scope and timing of the statutory audit of Leicester City Council (the 'Council') for those charged with governance. It sets out the risks that we anticipate will drive the focus of our audit based on our knowledge of the Council from the prior year and discussions with management. It is important to note that our risk assessment is an iterative process and we will revisit our assessment on an ongoing basis bringing any new risks to your attention if and when they arise.

We will provide our formal Audit Plan for consideration subsequent to our planning visit which is currently underway.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and addendum to the contract. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Risk Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



# Financial Statements Audit 2021/22

## Materiality

### The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We have not yet determined the materiality for the year ended 31 March 2022, but anticipate it being based on the Council's gross expenditure for the year.

### Informing the audit risk assessment

To inform our planning we include later in this report, on pages 9 to 35, responses from management to a series of questions posed across the themes of fraud, laws and regulations, going concern, related parties and accounting estimates.

## Significant risks

Although we have started our planning work we are not at a stage where we can formally confirm the significant risks that we will be auditing. However, the sections below indicate likely areas that we expect our work to focus on.

### Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Council to determine whether there is a risk of fraud from revenue recognition.
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.

**Valuation of land and buildings** – The Council is required to revalue its land and buildings on a sufficiently frequent basis to ensure that the carrying value in the financial statements it not materially difference from the current value at the financial statements date. To achieve this, the Council requests valuations from its valuation experts. This valuation represents a significant estimate by management in the financial statements due to the value involved and the sensitivity of this estimates to changes in key assumptions. It is expected that the valuation of land and buildings will continue to be identified as a significant risk. However, we are also aware of CIPFA LASAAC's Emergency consultation on the 2021/22 Code in respect of land and buildings valuations and the implementation of IFRS 16. The outcome of this will impact upon our final conclusions.

**Valuation of net defined pension liability** – The Council's pension fund net liability represents a significant estimate in the financial statements, due to the size of the numbers involved, and the sensitivity of the estimate to changes in key assumptions. It is expected that the valuation of this balance sheet item will continue to be identified as a significant risk.

### Other expected areas of focus

- In line with the Public Audit Forum Practice Note 10 in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition. We do not anticipate there being a significant risk in this regard, but will consider as part of our planning processes and again on receipt of the draft financial statements whether there is an increased level of risk associated with these transactions which would require additional audit effort to be made.
- We have previously provided information to the Committee on the new accounting standard on Estimates. This raises the bar in terms of what both we and management are required to do. Therefore while in the past, we have focussed on the valuation of land and buildings on the grounds that it is a large and complex estimate in the accounts, this will continue to occur to an even greater extent in 2021/22. This will also apply to any other material estimates made by management.



# Value for Money 2021/22

As part of our planning work, we will consider whether there are any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on. We may need to make recommendations following the completion of our work and will follow up the recommendations made in our 2020/21 Auditor's Annual Report.

## Risks of significant weakness

We have not yet undertaken our planning assessment, and therefore cannot confirm the risks we will be considering.

However, we anticipate following up on the risk we reported against as part of the 2020/21 review which were financial sustainability.

We made one improvement recommendation in relation to financial sustainability:

- Consideration should be given to more formal, explicit monitoring, at a Member level, of the extent to which proposed savings are realised.

We made one improvement recommendations in relation to governance::

- In considering its compliance with CIPFA's Financial Management Code, the Council should prepare a self-assessment for consideration by the Audit and Risk Committee, so any improvement opportunities can be readily identified and progress monitored and reported.
- We recommend that the Council undertake a skills and knowledge assessment of the Audit and Risk Committee and consider if the appointment of an independent member would add value.

We made one improvement recommendation in relation to improving economy, efficiency and effectiveness:

- In its refresh of the Economic Recovery Pan, the Council should consider adding quantifiable indicators to its aims and objectives along with an analysis setting out its starting position, from which improvement can be measured.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

**Certification work**

# Housing Benefit Assurance Process (HBAP): Housing Benefit Certification 2021

## Background

The HBAP Module 1 framework sets out the Department for Work and Pensions' (DWP) requirements for the reporting accountant to provide a report of factual findings on the completion of the housing benefit subsidy assurance process.

## Leicester City Council – 2020/21

We identified a number of issues from our certification work and, as a result of the errors identified, the claim was qualified, and we reported our findings to the DWP in our Reporting Accountant's Report dated 10 February 2022.

Year	Value	Amended?	Amendment	Qualified
2017-18*	£122,212,458	No	N/A	Yes
2018-19	£122,321,335	No	N/A	Yes
2019-20	£94,407,098	No	N/A	Yes
2020-21	£86,507,664	No	N/A	Yes

\* work undertaken by predecessor auditors

Due to the nature of the welfare system this is inherently a complex and multifaceted area, and because of the number of errors identified historically in the claim, there is automatically a high level of testing that needs to be undertaken (to see if the errors have been addressed), before taking into account any new issues identified in the current year.

The Council completes the workbooks for us to review and the audit team re-performs work on cases on a sample basis. We provided a workshop to officers ahead of starting the work to further streamline the process where we could. The quality of evidence within the workbooks was good and officers have performed a substantial amount of work involving 100% review of cases in one cell population with the aim of reducing the workload for future years.

This is because if 100% of a population is reviewed, any and all errors can therefore be identified. Provided the claim is amended prior to submission, and no additional errors of this kind are identified from further work, the issue becomes "closed" and does not roll forward into future years.

As a result of the work done by the quality assurance team, this applies to 1 test where 100% review was performed and the claim amended accordingly prior to submission.

## Issues identified this year

Similar to prior years, a lengthy Reporting Accountant's report was produced, with all content and errors agreed with the Authority prior to submission. We are happy to provide a copy of this letter separately should members wish, but in summary, findings were as follows:

### Initial Testing

#### Non-HRA Rent Rebate

The following errors were noted:

- 3 cases whereby an incorrect tenancy type had been applied
- 2 cases whereby service charges had not been applied correctly
- 1 case which had not been updated for the claimant's tenancy ending.

#### HRA rent rebate

The following error was noted:

- 1 case whereby an incorrect tenancy type had been applied

#### Rent Allowance

The following errors were noted:

- 1 case whereby tax credits had not been implemented correctly
- 1 case whereby rent had been incorrectly calculated
- 1 case where passported benefit had not been applied and therefore earnings had been applied rather than disregarded
- 1 case which had been applied as a housing association when it should have attracted a rent officer's determination.

### "CAKE" (cumulative audit knowledge and experience) testing

In line with the requirements of HBAP modules we undertook CAKE testing based upon the preceding Qualification Letter. This involved the authority completing testing of the sub populations in relation to 11 different error types. We reperformed a sample of the Authority's testing and concurred with the results.

There were no CAKE tests which returned no errors and therefore all will be rolled forward to 2021/22 CAKE testing.

## Fee

The fee for certification of the housing benefit subsidy claim is based on an anticipated level of work and is adjusted accordingly through a variation based on the actual output. A fee was proposed and agreed of £54,000 (2019/20: £54,000). This was disclosed to you separately in our 2020/21 Audit Plan, as well as our 2020/21 Audit Findings Report along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.

# Other certification work undertaken

## Teachers Pension Return

### Background

The Council is required to submit an EOYC (end of year certificate) to Teachers Pensions which sets out Teachers' Pensions contributions split between employer and teacher across the various tiers.

The EOYC is an annual return completed by employers showing the level of teachers' pension contributions that should have been deducted and paid to Teachers' Pensions within the financial year i.e. the totals for the payroll and employer adjustments such as deductions at the incorrect tier which they identify during the financial year. The EOYC should cover all teachers who should be contributing to the TPS and for whom the employer is responsible.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by Teachers Pensions. On conclusion of our work we are required to submit the Council's final EOYC along with our signed Reporting accountant's report directly to Teachers Pensions by the deadline of 30 November.

### 2020/21 findings

From the 10 tests we are required to undertake, we identified one exception. There was an administration error on a sampled employee's October payslip resulting in a reduction of pensionable pay by the amount of the September backpay of £1,926.17, which was not identified by the monthly contribution report.

The Council completed the EOYC on the basis of what had been paid but, in accordance with paragraph 49 of the Reporting Accountant's guidance, the EOYC form should reflect what should have been paid to Teachers' Pensions (after any error correction) and not what was actually paid over during the year. The EOYC was amended accordingly.

Our Reporting Accountant's report was submitted on 29 November.

### Fee

A fee was agreed for this work of £5,500 (2019/20 £5,500). This was disclosed to you separately in our 2020/21 Audit Plan, as well as our 2020/21 Audit Findings Report along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.

## Pooling of Housing Capital Receipts

### Background

The Ministry of Housing, Communities and Local Government (MHCLG) administers the pooling of housing capital receipts scheme.

Use of receipts arising from the disposal of housing assets (i.e. generally assets held under Part II of the Housing Act 1985 and for which account is made in the Housing Revenue Account (HRA)) is governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) ("the regulations"). The regulations require that, in short:

- a. receipts arising from Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover some of the debt on the properties sold, but a proportion of the remainder must be surrendered to central Government;
- b. receipts arising from all other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying down of housing debt (each of which is defined in the regulations).

The 2020/21 pooling return is an annual return generated by local authorities showing the breakdown of the various elements of the housing capital receipts.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by MHCLG. On conclusion of our work we are required to submit the Council's final pooling return, supported by four debt supportable workbooks (one for each quarter) along with our signed Reporting accountant's report directly to MHCLG.

### 2020/21 findings

From the 23 tests undertaken no exceptions were identified.

Our Reporting Accountant's report was submitted on 4 February in accordance with the deadline.

### Fee

A fee was agreed for this work of £5,075 (2019/20:: £5,075). This was disclosed to you separately in our 2020/21 Audit Plan, as well as our 2020/21 Audit Findings Report, along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.



# **Appendix 1: Informing the audit risk assessment**

# Purpose

The purpose of this section of our Progress Report and Indicative Audit Plan is to contribute towards the effective two-way communication between Leicester City Council's external auditors and Leicester City Council's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Leicester City Council's management. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The Covid-19 Pandemic continues to have a significant impact on the financial statements for 2021/22.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Leicester City Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The Council has completed the annual review of their accounting policies to ensure appropriateness. There have been no events or transactions which have caused us to change or adopt new accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The Council has similar types of financial instruments to those in the 2020/21 accounts.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>The Council continues to pay a number of grants out to local businesses during the year which is outside our normal course of business. The Council undertook the purchase of the Haymarket Shopping Centre within the City.</p>

# General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	There are currently no circumstances that would lead to impairment of non-current assets. However, the valuer when valuing our assets will be considering any circumstances where this could arise.
6. Are you aware of any guarantee contracts? If so, please provide further details	None currently identified.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None currently identified.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Leicester City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council uses various solicitors throughout the year and will provide the detail to the auditors during the audit.



# General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	This information will be provided as part of the audit working papers.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, information will be provided as part of the audit working papers.

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Leicester City Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Leicester City Council's management.

# Fraud risk assessment

Question	Management response
<p>1. Has Leicester City Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>The Council has assessed the risk of material misstatement in the financial statements due to fraud to be limited.</p> <p>The Council will challenge the figures within the accounts and will gain assurance over controls from internal audit.</p> <p>If the Council identifies any concerns over internal controls then processes are reviewed and new controls are implemented. The Council has not identified any concerns over financial controls over the current year. We try to learn lessons from others experiences.</p> <p>When the Council identifies risks a review will be undertaken to identify any potential financial impact.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Procurement exercises/contracts, Right to Buy of council properties, small business rate relief, business grants and subletting council properties.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Leicester City Council as a whole or within specific departments since 1 April 2021?</p> <p>If so, please provide details.</p>	<p>The Council has a counter fraud team who are responsible for investigating instances of fraud. The team report to Audit &amp; Risk Committee periodically, to provide an update on any instances of fraud and actions taken.</p>

# Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The team report to Audit & Risk Committee periodically, to provide an update on any instances of fraud and actions taken
5. Have you identified any specific fraud risks? If so, please provide details  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within Leicester City Council where fraud is more likely to occur?	<p>The Council is at particular risk of fraud in the usual higher risk areas e.g repairs and maintenance, procurement and contract management.</p> <p>The Council has the relevant controls in place to try and prevent fraud.</p> <p>This is further supported by the reports of internal audit.</p>
6. What processes do Leicester City Council have in place to identify and respond to risks of fraud?	<p>The Council has a clear governance framework summarised below:</p> <ul style="list-style-type: none"> <li>• Mayor, Executive &amp; Council</li> <li>• Decision Making</li> <li>• Risk Management</li> <li>• Scrutiny &amp; Review</li> <li>• Corporate Management Team</li> </ul> <p>Further to the Council has various codes and rules, including Financial Procedure Rules, Codes of Conducts, Anti-Fraud, Bribery &amp; Corruption Policy.</p> <p>Further to this the Council participates in the National Fraud Initiative.</p> <p>There are ongoing discussions with colleagues at Leicestershire County Council to explore the possibility of assessing each other's organisation using the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.</p>



# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Leicester City Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Council outsources its internal audit function to Leicestershire County Council to ensure regular review of it's control environment.</p> <p>The outcomes of audit reports are regularly reported to Senior management and the Audit &amp; Risk Committee.</p> <p>There are no areas identified for potential override of controls or inappropriate influence over the financial reporting process.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details.</p>	<p>None that the Council are aware of.</p>

# Fraud risk assessment

Question	Management response
<p>9. How does Leicester City Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council uses various options to communicate with employees including;</p> <ul style="list-style-type: none"> <li>• Staff intranet, established internal communication channels</li> <li>• Organisational development team, delivering staff training</li> <li>• Information assurance team to support data policies</li> </ul> <p>The Council encourages staff to report their concerns regarding fraud through the following policies;</p> <ul style="list-style-type: none"> <li>• Anti-fraud, Bribery &amp; Corruption Policy</li> <li>• Whistleblowing Policy</li> </ul>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Director of Finance</p> <p>Treasury &amp; Investments Manager</p> <p>Risks associated by the above posts are managed through having appropriate controls in place, to reduce the potential for fraud or corruption. LCC undertake ID checks on applicants and also fully participate in the NFI project. This provides further assurance as this allows the payroll file to be cross matched against the directorships of companies with whom the council do business. Work is ongoing to centralise the conflict of interest file and this will be checked against all new procurement exercises.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The Council is unaware of any related party relationships that could give rise to instances of fraud.</p> <p>The Council maintains information on any related parties to ensure any risks can be mitigated and appropriate controls are in place.</p>

# Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee?</p> <p>How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Two reports are submitted to the Audit &amp; Risk Committee annually to report on fraud issues with an additional report on the National Fraud Initiative each year. Along with this internal audit also report to committee on outcomes from internal audits.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details.</p>	<p>No</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that Leicester City Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Risk Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.



# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Leicester City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Council employs legal professionals to ensure it remains compliant with all relevant laws and regulations.</p> <p>Legal implications are included on all relevant decision-making reports, scrutiny reports and a number of internal briefing reports. On a case-by-case basis lawyers are embedded into the operational decision-making structures within client areas (child protection, adults safeguarding, HR etc).</p> <p>A Quarterly Governance Panel comprising the Chief Operating Officer and the two Statutory Officers has been set up to provide an additional layer of scrutiny to what are regarded as the Council's high-risk activities/schemes.</p>
<p>2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Legal implications are included on all reports taken to Committee, including to the Audit and Risk Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details.</p>	<p>There have been no known instances of significant non-compliance with law and regulation.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details.</p>	<p>The Council is aware that there is a pending claim lodged with HMCTS, the full details of which have not yet been disclosed, that was lodged by Biffa Leicester Limited. In the event the claim progresses the full details will be known by the end of June 2022.</p>

# Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Leicester City Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>All legal work is undertaken on a single specialist case management software system. In individual client areas (e.g. debt recovery, care proceedings, employment law etc) regular client liaison meetings occur or data is shared. Elevation mechanisms within Legal Services ensure that high profile cases are referenced with senior management. Our insurance arrangements are closely managed to ensure that insurable claims are efficiently handled. All Judicial Review claims are brought to the attention of the City Barrister.</p>
<p>6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance? If so, please provide details.</p>	<p>No</p>

# Related Parties

## Matters in relation to Related Parties

Leicester City Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Leicester City Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

# Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in Leicester City Council's accounts?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and Leicester City Council</li> <li>• whether Leicester City Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>This work to identify related party transactions is currently being completed.</p>
<p>2. What controls does Leicester City Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members &amp; Directors are asked to complete an annual declaration.</p> <p>The Council also takes part in the National Fraud Initiative.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All transactions are approved in line with the Financial Procedure Rules.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All transactions are approved in line with the Financial Procedure Rules.</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Leicester City Council will no longer continue?	The Council completes an Annual Budget report each year that goes to the Overview Select Committee (and other scrutiny committees) for scrutiny and then to Full Council for approval. This includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.
2. Are management aware of any factors which may mean for Leicester City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None currently identified.
3. With regard to the statutory services currently provided by Leicester City Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Leicester City Council to cease to exist?	Leicester City Council expects to continue to deliver statutory services.
4. Are management satisfied that the financial reporting framework permits Leicester City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, as per above the Council completes an Annual Budget report each year which includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.

# Accounting estimates

## Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.



# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	None at this time.
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	The risk management process is identifying the professionals that are used to provide the accounting estimates e.g. valuers and actuaries. In addition, we have professional integrity.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The professionals will use updated information to base their estimates. For examples the valuer will look at the markets and review the Royal Institute of Chartered Surveyors (RICS) guidance for the year.
4. How do management review the outcomes of previous accounting estimates?	Management will have an oversight of the assumptions used for the estimates and ensure they are reviewed annually. In addition, where there are significant changes explanations from the professional will be requested.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	None at this time.

# Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management will use professionals with the specialised skills or knowledge for calculating accounting estimates this will be Accountants, Valuers and Actuary's.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	All accounting estimates are reviewed annually and throughout the closedown process.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As previously detailed management will review assumptions used for calculating accounting estimates and ensure any changes have an explanation.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	The estimates are reviewed by the management in the relevant specialisms and by the management reviewing the Statement of Accounts.

# Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>The material estimates are reported in the Statement of Accounts.</p> <p>Further to this briefing &amp; training sessions are completed with the Audit &amp; Risk Committee to ensure they understand the arrangements used for completion including estimates. The Committee is encouraged to ask questions to gain assurance that officers are able to provide robust answers.</p>

# Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	<p>Non-dwelling property valuations are planned at the beginning of each financial year by Estates &amp; Building Services. The Valuer is asked to provide estimated property values as at the end of the financial year using forecast valuation indices.</p> <p>Programme of planned valuations maintained by Estates &amp; Building Services to ensure that all land and buildings are regularly revalued.</p> <p>Forward indices published by the Building Cost Information Service are used to forecast property values at the Balance Sheet date.</p>	The Valuer reviews valuations at the Balance Sheet date to Ascertain appropriateness of estimated valuations and therefore any material under- or overstatement.	RICS valuers are appointed to undertake the annual valuations	Actual indices will not vary greatly from forecast indices.	No

# Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	An annual valuation of Council dwellings is conducted by external consultants Wilks Head and Eve LLP.	Verification checks will be conducted on the valuations provided.	Yes – Wilks Head and Eve LLP.	The valuations will be conducted in line with relevant guidance.	No
Depreciation	Useful lives received from RICS valuers appointed to undertake valuations.	Checks to ensure reasonableness.	Yes – RICS valuers	At the end of 2020-21 financial year it was estimated that the estimated annual depreciation charge for buildings would increase by approximately £2m for every year that useful lives had to be reduced.	No
Valuation of defined benefit net pension fund liabilities	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	Checks to the reasonableness of assumptions in the actuaries report are made	Yes (actuary for LGPS administered by Leicestershire County Council)	The effects of the net pension liability of changes in individual assumptions can change the liability significantly. For example, an 0.1% decrease in the Real Discount rate would mean a 2% increase to the employers liability. Which in 2020/21 would have amounted to approximately £48m.	No.

# Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 2 investments	Where there are material balances, models are provided from the council's treasury advisors, to calculate the estimated fair values.	Corporate accountant reviews appropriateness of estimated valuations.	Treasury advisors (Arlingclose)	Sensitivity analysis in Nature and Extent of Risks arising from Financial Instruments note to the accounts.	No
Level 3 investments	Where there are material balances, models are provided from the council's treasury advisors, to calculate the estimated fair values.	Corporate accountant reviews appropriateness of estimated valuations.	Treasury advisors (Arlingclose)	Sensitivity analysis in Nature and Extent of Risks arising from Financial Instruments note to the accounts.	No
Fair value estimates	Fair value estimates are covered above i.e. in financial instruments and in PPE valuations for PPE related.				

# Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions-Bad Debt	<p>A bad debt provision is calculated based on the age &amp; total of outstanding debt at the balance sheet date.</p> <p>Standard percentages and knowledge of individual circumstances are used.</p>	Reviewed to ensure significant movements are understood and are prudent.	No	No policy or legal change affects the collection of this debt.	No
Provisions-Insurance Claims	This is estimated based on the claims received and which are expected to be Settled.	<p>The Insurance claims database is used, providing the estimate.</p> <p>Claims provisions are normally reviewed by an actuary every 2 years.</p>	Insurance companies & Actuaries	Insurance Companies & Actuaries.	No



## Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions - Business Rates	Business Rates appeals - Judgement is applied based on data from the Valuation Office Agency regarding outstanding appeals and the likelihood of success. The amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data and any other known information.	Different averages are calculated for the different types of appeals and property Types.	Revenues Manager	The calculation is based on a range of sources including professional advice. If the volume and outcome of appeals differs significantly from the assumptions then this will impact on the level of provision.	No
Accruals	Various methods used, depending on each set of circumstances.	Management checks on journals.	No	Supporting information provided for accruals to evidence the underlying assumptions behind the accrual.	No
Credit loss and impairment allowances	Various methods used, depending on each set of circumstances.	Check with management i.e. treasury manger, head of finance etc. to ensure estimates are reasonable.	No	Sensitivity analysis included in working paper.	No

# Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	Follow the CIPFA code of practice in determining finance lease liabilities.	Mostly property leases and they are valued by a RICS valuer.	For property leases RICS valuers are appointed to undertake the annual valuations.	Lease liability determined by following CIPFA code of practice.	No
PFI liabilities	Total payments due under existing PFI schemes are split between payments for services, reimbursement of capital expenditure, interest and lifecycle costs. The split being derived from detailed cash flow models provided at the commencement of each scheme. PFI liabilities are reduced by payments made during the year.  The financial model details the cash flows of the schemes.	Changes to outstanding liabilities are measured against the financial model and split between current and noncurrent accordingly.	No	It is assumed that the PFI schemes will progress as planned with specifications remaining unchanged.  PFI unitary payments are being made as per the financial model.	No

# **Appendix 2: Sector Update**

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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 local government sector 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 and Risk 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:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

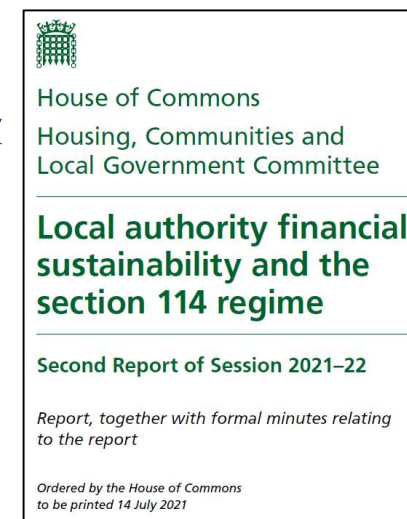
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



# Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons  
Committee of Public Accounts

**Local auditor reporting on local government in England**

Eleventh Report of Session 2021–22

# 2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psaa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

# 2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>



# Guide to support Value for Money (VfM) analysis for public managers – CIPFA

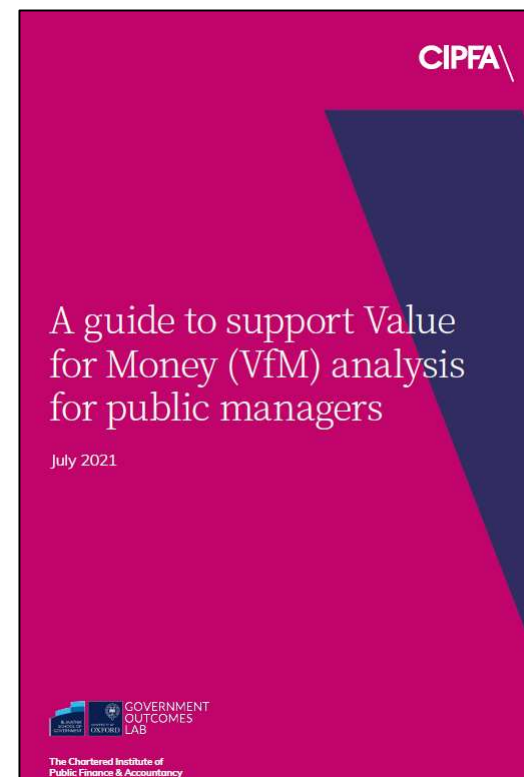
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit and Risk Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

# Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit and Risk Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK’s statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit and Risk Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for Audit and Risk Committees to consider.

The NAO state “Audit and Risk Committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports Audit and Risk Committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

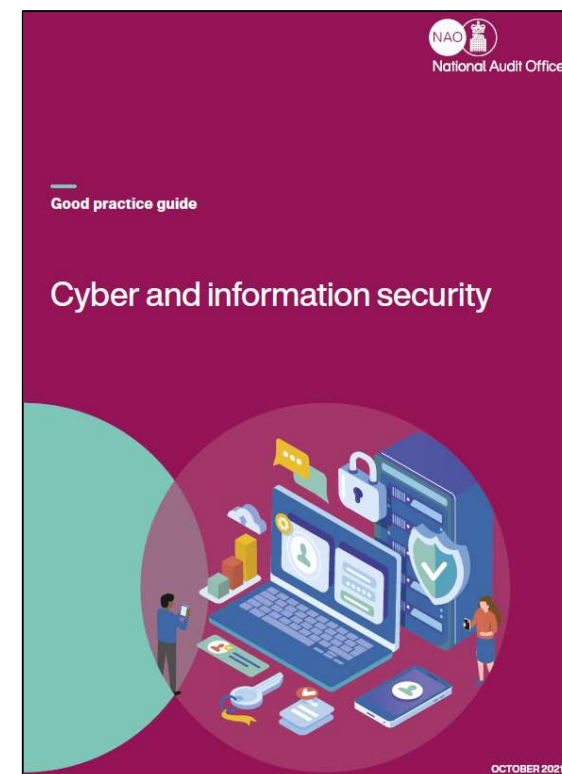
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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