

# Annual Audit Letter

## Bassetlaw District Council

Year ended 31 March 2019





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# 1. EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Bassetlaw District Council for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 29 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and</li><li>• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.</li></ul>
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 29 July 2019 included our opinion that:</p> <ul style="list-style-type: none"><li>• the other information in the Statement of Accounts is consistent with the audited financial statements.</li></ul>
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 29 July 2019 we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

### The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 29 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Council. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 2% of gross revenue expenditure	£2,392,000
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£72,000
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts:	
	- officers' remuneration	£5,000*
	- Members' allowances and expenses	£67,000
	- external audit costs	£9,000

\*Reflecting movement from one salary band to another

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## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Risk Scrutiny Committee within the Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<b>Management override of controls</b> In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We addressed this risk through performing audit work including: <ul style="list-style-type: none"><li>• documenting our understanding of the processes and controls in place to mitigate the risks identified, and walking through those processes and controls to confirm our understanding;</li><li>• testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li><li>• reviewing the calculation of management's material accruals, estimates and provisions for evidence of management bias;</li><li>• evaluating the business rationale for any significant unusual transactions;</li><li>• understanding the oversight given by those charged with governance of the management processes over fraud;</li><li>• sampling accruals and provisions based on established testing thresholds; and</li><li>• reviewing material aspects of capital expenditure on property plant and equipment to check it meets the relevant accounting requirements to be capitalised.</li></ul>	Our audit work has provided the assurance we sought and has not identified any material issues. There is no indication of management override of controls.

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p><b>Valuation of property, plant and equipment</b></p> <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, with the majority of land and building assets required to be carried at valuation. Due to a high degree of estimation uncertainty associated with those held at valuation, we determined there was a significant risk in this area.</p>	<p>In relation to the valuation of property, plant and equipment we:</p> <ul style="list-style-type: none"> <li>critically assessed the Council valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>considered whether the overall revaluation methodologies used by the Council valuer are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;</li> <li>compared valuation movements against information provided by the NAO on regional valuation trends; critically assessed the approach that the Council adopted to ensure that assets not subject to revaluation in 2018/19 were materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer;</li> <li>critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;</li> <li>critically assessed the approach that the Council adopted to ensure that assets not subject to revaluation in 2018/19 were materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer; and</li> <li>tested a sample of items of capital expenditure in 2018/19 to confirm that the additions were appropriately valued in the financial statements.</li> </ul>	<p>Our 2018/19 testing of land and buildings valuations identified a number of issues including the requirement to apply indexation amounting to £12.9million to the valuation of council dwellings. Management has addressed and corrected these matters for the 2018/19 financial statements. Our work has provided the assurance we sought.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p><b>Defined benefit liability valuation</b></p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there was a significant risk in this area.</p>	<p>In relation to the valuation of the Council's defined benefit pension liability we:</p> <ul style="list-style-type: none"> <li>critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham;</li> <li>liaised with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included consideration of the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation was complete and accurate;</li> <li>tested payroll transactions at the Council to provide assurance over the pension contributions which were deducted and paid to the Pension Fund by the Council;</li> <li>reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office; and</li> <li>agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li> </ul>	<p>Our work identified that the valuation of the Council's defined benefit pension liability did not reflect the year-end value of the Nottinghamshire Pension Fund nor the impact of the recent judgement made in relation the McCloud case. In this regard it is worth noting that the impact of the recent judgement made in relation the McCloud case is a national issue affecting all councils. The Council has adjusted its 2018/19 financial statements to reflect these matters and our work has provided the assurance we sought.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p><b>Transfer of A1 Housing activities</b></p> <p>During 2018/19 the Council transferred the housing functions provided by A1 Housing (an arms length management organisation) back into direct management by the Council. This transfer and the associated integration of these activities into the Council's operations represented a significant change management agenda. The changes involved impacted on the values detailed in the Council's accounts for 2018/19 and we determined there was a significant risk in this area.</p>	<p>In relation to the transfer of housing services we:</p> <ul style="list-style-type: none"><li>• considered whether appropriate methodologies had been used by the Council to ensure the relevant transactions and valuations were reflected in the Council's 2018/19 accounts;</li><li>• tested related transactions at the Council to provide assurance over the transfer values included in the Council's 2018/19 accounts;</li><li>• ensured that the Council had made appropriate disclosures to reflect the transfer; and</li><li>• agreed the data relating to A1 Housing in the IAS 19 valuation report provided by the Fund Actuary to the associated accounting entries made by the Council.</li></ul>	<p>Our audit work has provided the assurance we sought and has not identified any material issues.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

<b>Description of deficiency</b>	The Council Dwellings valuation was undertaken as at 31 December 2018, however the indexation from December to March 2019 was not recognised in the unaudited statement of accounts, resulting in a £12.9m adjustment.
<b>Potential effects</b>	There was potential for a financial error. It is however recognised that the indexation information required to make the required adjustment is not available until after the end of the financial year.
<b>Recommendation</b>	We recommend that valuations which are not conducted at the year end are appropriately indexed up to the relevant year end value.
<b>Management response</b>	In future years we are looking to carry out valuations without using indexation, which should address the issue.

<b>Description of deficiency</b>	The expenditure per the Expenditure and Income by Nature disclosure did not reconcile to the Comprehensive Income and Expenditure Statement.
<b>Potential effects</b>	There was potential for a financial error.
<b>Recommendation</b>	We recommend that a reconciliation is conducted to ensure the Comprehensive Income and Expenditure Statement reconciles to the Expenditure and Income by Nature disclosure.
<b>Management response</b>	Control checks will be built into future years' Statement of Accounts working papers to reconcile the two notes.

<b>Description of deficiency</b>	Within the Minimum Revenue Provision calculations, there are two assets being charged over a period in excess of the CIPFA guide maximum of 50 years.
<b>Potential effects</b>	The Minimum Revenue Provision calculations could be undertaken incorrectly and lead to an error in the Council's financing arrangements.
<b>Recommendation</b>	We recommend that all assets are charged over a maximum useful economic life of up to 50 years as advised by CIPFA.
<b>Management response</b>	The MRP calculation will be adjusted accordingly in 2019/20 and asset lives will be reviewed to ensure all lives are 50 years or less.

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Internal control recommendations (continued)

<b>Description of deficiency</b>	Nurseries and Greenhouses were transferred to Assets Held for Sale at an incorrect value, as they were not appropriately recognised at the valuation amount.
<b>Potential effects</b>	Assets would be incorrectly stated if they were not recognised at the value per the valuation certificates.
<b>Recommendation</b>	We recommend that all assets are checked against the valuation certificates to ensure they are being recognised at the correct value.
<b>Management response</b>	Assets are checked against the valuation certificates as part of the year end process. There was a technical problem with the processing of this downward revaluation in the fixed asset system. We were aware of the issue and it was addressed after the draft financial statement had been issued. In future, we will put processes in place to ensure this does not reoccur.

<b>Description of deficiency</b>	There were differences identified between the Fixed Asset Register and the Unaudited Financial Statements, there was no Net Book Value impact, however the differences involved affected the cost and accumulated depreciation amounts.
<b>Potential effects</b>	There is a risk regarding the misstatement of assets and/or financial error.
<b>Recommendation</b>	We recommend that detailed reconciliations are conducted to ensure the Fixed Asset Register reconciles to the Financial Statements.
<b>Management response</b>	Detailed reconciliations will be carried out in future years.

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Internal control recommendations (continued)

<b>Description of deficiency</b>	There are two councillors who have not returned signed declaration of independence forms.
<b>Potential effects</b>	There is a risk of undetected related party transactions.
<b>Recommendation</b>	We recommend that signed declarations of independence are completed and collated for all councillors.
<b>Management response</b>	We make every effort to collect signed declarations and will continue to do so in future years.

<b>Description of deficiency</b>	A contingent asset relating to a HMRC VAT claim has been settled after the year end.
<b>Potential effects</b>	The VAT debtor balance is understated at the year end.
<b>Recommendation</b>	We recommend that contingent assets and liabilities are reviewed after the year-end to ensure the position is being correctly reflected in the Financial Statements.
<b>Management response</b>	Comments noted.

### 3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

#### Our approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our auditor's report, issued to the Council on 29 July 2019, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2019.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>We reviewed financial, performance and risk management reports throughout the year and attended meetings of the Audit and Risk Scrutiny Committee. We did not identify any concerns regarding data quality or the decision-making process.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <p>a) Acting in the public interest, through demonstrating and applying the principles and values of sound governance;</p> <p>b) Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;</p> <p>c) Reliable and timely financial reporting that supports the delivery of strategic priorities; and</p> <p>d) Managing risks effectively and maintaining a sound system of internal control.</p>	Yes

### 3. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services and a balanced medium term financial strategy is in place up to 2023/24 provided a forecast budget shortfall of £1.3m can be met.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <ul style="list-style-type: none"> <li>a) Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;</li> <li>b) Managing and utilising assets effectively to support the delivery of strategic priorities; and</li> <li>c) Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>	Yes
Working with partners and other third parties	<p>The Council has worked in partnership with a number of community and voluntary organisations to deliver its objectives. This demonstrates the Council's commitment to increase collaboration and build partnership arrangements to achieve improvements</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <ul style="list-style-type: none"> <li>a) Working with third parties effectively to deliver strategic priorities;</li> <li>b) Commissioning services effectively to support the delivery of strategic priorities; and</li> <li>c) Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>	Yes



### 3. VALUE FOR MONEY CONCLUSION

#### Significant Value for Money risk

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Completion Report, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to this significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Delivery of budgets</b> – The continual pressures on Local Government finances are well documented and led to challenging budget setting processes for 2018/19 and 2019/20. However the Council was able to approve balanced budgets. The budgets included the required S.151 Officer assurances relating to the robustness of the budgets and the adequacy of the level of reserves, but acknowledged the risks around the delivery and timing of savings initiatives and the need to address medium term budget shortfalls.</p> <p>The 2018/19 budget outturn position shows that the Authority delivered an underspend of £0.911 million on its general fund and an underspend of £0.519 million on its housing revenue account.</p> <p>There will be significant changes in Local Government finances over the next few years, which will culminate in a major change in the way Local Government is financed from 2020/21 onwards. These include the 2019 Spending Review, the Fair Funding Review and the introduction of 75% local retention of business rates (up from 50% retention). As a result, the need for savings (or income generation) will continue to have a significant impact on the Authority’s financial resilience.</p>	<p>We have assessed whether any matters have come to our attention through the course of our audit that lead us to conclude that a risk to our 2018/19 VFM conclusion does indeed exist. We addressed this requirement by reviewing the Council’s arrangements for developing and delivering its MTFP and for working in partnership.</p>	<p>We obtained sufficient assurance to conclude that the Council continues to have appropriate arrangements in place.</p>



## 4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below testing threshold
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

### Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- Issue a report in the public interest;
- Make a referral to the Secretary of State where we believe that a decision has led to, or would lead to, unlawful expenditure, or an action has been, or would be unlawful and likely to cause a loss or deficiency; and
- Make written recommendations to the Council which must be responded to publicly.

We have not exercised any of these statutory reporting powers.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 29 July 2019.

### Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

## 5. OUR FEES

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit and Risk Scrutiny Committee in January 2019.

We have completed our work for the 2018/19 financial year, but at the time of producing this report, we have not yet finalised our audit fees for the year. If the final fee varies from that in the table below, we will write to the Head of Finance and Property setting out the proposed variation and any reasons for the variation, and seeking agreement to it. Any variations to the final fee will also require the approval of Public Sector Audit Appointments Limited, which manages the contracts for our work.

Area of work	2018/19 proposed fee	2018/19 final fee ***
Delivery of audit work under the NAO Code of Audit Practice	£44,063 plus VAT	£44,063 plus VAT

\*\*\* Please note that at the time of producing this report, the audit fee has not yet been finalised.

### Fees for other work

We are expecting to be separately engaged by the Council to carry out assurance work on the pooling of housing capital receipts return. This involves an additional fee of £3,000 plus VAT over the fees outlined above in relation to our appointment by Public Sector Audit Appointments Limited.



## 6. FORWARD LOOK

### Audit Developments

#### *Code of Audit Practice*

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>)

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

#### Financial Resilience

##### *Fair Funding Review*

The Council will need to incorporate the outcome of the Spending Review, due in the latter half of 2019, into its Medium Term Financial Plan. The Spending Review will set out the department allocations for 2020/21 and potentially beyond. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge any funding gap through planned expenditure reductions and/ or income generation schemes.

##### *Local Authority Financial Resilience Index*

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

##### *Commercialisation*

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property; and
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

### Financial Reporting

#### *UK Local Government Annual Accounts*

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

#### *Lease accounting*

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

## 6. FORWARD LOOK

### Financial outlook

It is clear that the Council will face challenges in balancing the budget going forwards. Although the Council does have reserves available to minimise the immediate impact these are a temporary or transitional cushion while the savings needed are identified and delivered. The key message from those councils that have faced a financial crisis, such as Northamptonshire and others, is the importance of taking early action to secure financial sustainability before the position becomes unmanageable. The position beyond 2019/20 is very uncertain as much depends on the outcome of the comprehensive spending review, fair funding review and the measures that will be taken in relation to the future operation of the business rates system. Decisive action to bridge any budget gap over the medium term remains a key priority for the Council.

### How we will work with the Authority

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Council by:

- continued liaison with the Council's Internal Auditors to minimise any duplication of work;
- attending Audit and Risk Scrutiny Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with key Council officers to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sectors.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

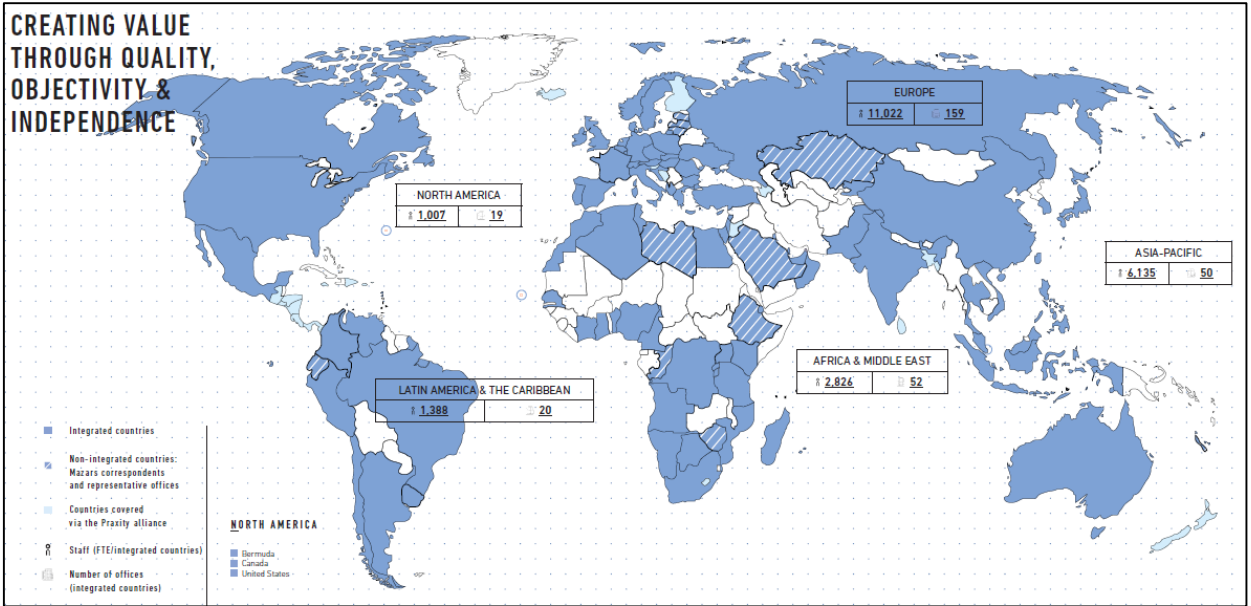
The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit.

# MAZARS AT A GLANCE

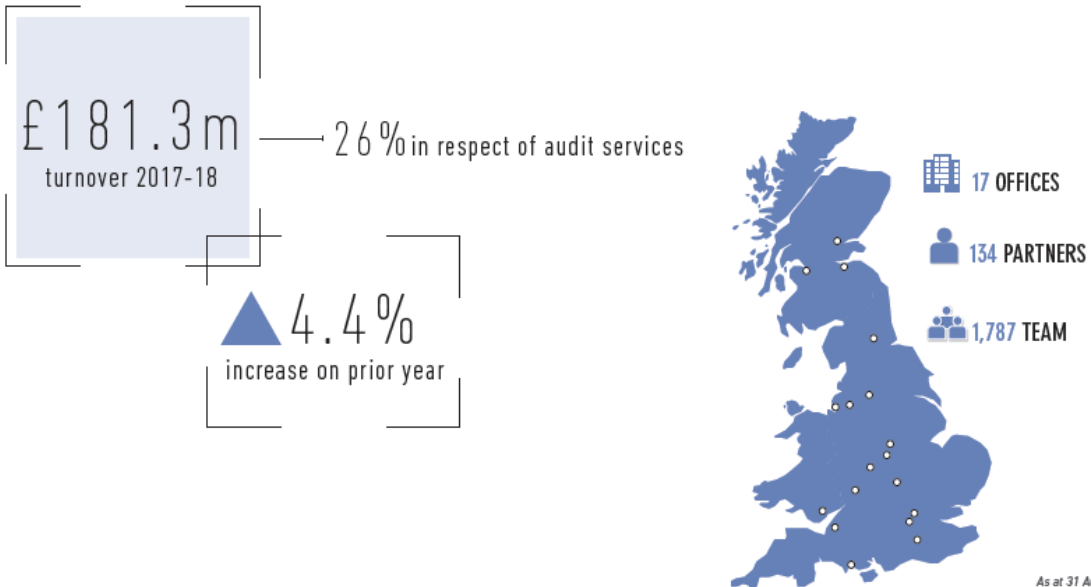
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