



# **South Holland District Council**

**Auditor's Annual Report  
Year ended 31 March 2021**

**25 March 2022**



**EY**

Building a better  
working world

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance and Audit Committee and management of South Holland District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee and management of South Holland District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance and Audit Committee and management of South Holland District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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

Section 1

# Executive Summary



# Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
<b>Opinion on the Council's:</b>	
Financial statements	<b>Unqualified</b> – the financial statements give a true and fair view of the financial position of the Council and Group as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Audit Report on the 22 March 2022.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of other information published with the financial statements	Financial information in the financial statements was consistent with the audited accounts.

Area of work	
<b>Reports by exception:</b>	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the Annual Governance Statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

# Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 22 February 2022 to the Governance and Audit Committee. We issued an Addendum Update report on the 17 March 2022 in relation to Value for Money.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued to auditors.

## Fees

We carried out our audit of the Council's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Covid-19 related Government Grant Income, the new pension fund actuary, Going Concern, the valuation of Property, and the new NAO Code for VFM. As a result, we will discuss the associated additional fee with the Chief Financial Officer before submitting it to PSAA Ltd for determination. We include details of the audit fees in Appendix 1.

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



Mark Hodgson  
**Associate Partner**  
For and on behalf of Ernst & Young LLP

Section 2

## Purpose and responsibilities



# Purpose and responsibilities

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This report summarises our audit work on the 2020/21 financial statements.

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## **Purpose**

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 16 July 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit



# Financial Statement Audit

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We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

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## Key issues

The Statement of Accounts is an important tool for the Council's to show how it has used public money and how it can demonstrate its financial management and financial health.

On the 22 March 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Governance and Audit Committee on the 17 March 2022. We issued an Addendum Update on the 17 March 2022. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<b>Misstatements due to fraud or error - management override of controls</b>	We did not identify any material weakness in controls or evidence of material management override.
An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.
	We did not identify any inappropriate journal entries or other adjustments to the financial statements.
<b>Inappropriate capitalisation of revenue expenditure</b>	Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.
Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the General Fund.	Our sample testing did not identify any revenue items that were incorrectly classified.
	Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Continued over.

## Financial Statement Audit (continued)

Significant Risk	Conclusion
<p><b>Accounting for Covid-19 related grant funding</b></p> <p>In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.</p> <p>Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of,</p> <p>there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.</p>	<p>Our sample testing of Covid related grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.</p> <p>Our work also did not identify any grants where South Holland's assessment of their role as Agent or Principal was against the general trend in other Councils.</p> <p>We identified the need for management to revisit this disclosure to present Covid grants where the Council acted as an agent separately. Management provided a revised note which sufficiently covered this audit observation.</p>
<p><b>Pension valuations and disclosures</b></p> <p>Accounting for the pension scheme involves significant estimation and judgement. At 31 March 2021 the pension liability totalled £45.2 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>We initially set pension valuation and disclosures as an inherent risk. However, during the audit we identified that Lincolnshire Pension Fund had changed actuary from Hymans Robertson to Barnett Waddingham from 1 April 2020. We consider this a trigger event to elevate the inherent risk to significant.</p>	<p>We reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and undertook the work required without identifying any issues.</p> <p>We agreed the Council's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts. As a result of the response from Lincolnshire Pension Fund auditors highlighting a material movement in the valuation of investment assets of the fund, the Council obtained a revised actuary report and updated the Council's liability figure. The Council decided not to update the Public Sector Partnership Services Ltd (PSPS) liability figure on the grounds of materiality.</p> <p>We did not identify any issues in relation to the change in actuary at the Pension Fund. The Council's Pension Liability fell within our tolerable threshold range following relevant audit procedures.</p>

Continued over.

## Financial Statement Audit (continued)

In addition to the significant risks identified, we also concluded on the following areas of audit focus or inherent risk.

Other area of audit focus	Conclusion
<p><b>Valuation of Property, Plant, and Equipment and Investment Properties</b></p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>At 31 March 2021 the net book value of PPE was £201.7 million, and the fair value of investment properties was £1.6 million. We note that within PPE, our focus is on Land and Buildings and Surplus Assets.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>Our work did not identify any issues with the valuation of Property, Plant &amp; Equipment and investment properties.</p>
<p><b>National non-domestic rates appeals provision</b></p> <p>The calculation of the NNDR Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils were forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.</p>	<p>Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision.</p> <p>Where the Council had made local adjustments to reflect on local knowledge and developing appeals, these were also found to be reasonable.</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Recoverability of receivables (debtors)</b></p> <p>As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables.</p> <p>The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts.</p>	<p>Our work did not identify any issues with the reasonableness, accuracy or sufficiency of the provision for the recoverability of receivables made.</p> <p>Our sample testing of trade receivables also did not identify any issues around the recoverability of debtors held on the balance sheet at year end.</p>
<p><b>Accounting for Collection Fund disclosures</b></p> <p>During 2020/21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore an inherent risk of incorrect accounting based on the significant level of change in the year.</p>	<p>Our work did not identify any issues with the accounting for Collection Fund disclosures.</p>
<p><b>New payroll system</b></p> <p>The Council implemented a new payroll system during the financial year. As with any IT upgrade there is a risk that the relevant financial information has not been appropriately transferred to the new system leading to material misstatement in the 2020/21 financial statements.</p>	<p>Our work performed did not identify any issues with the implementation of the new payroll system.</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Going concern disclosures</b></p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.</p> <p>Management have used the basis of their assessment to produce the disclosures included within the draft financial statements.</p> <p>We were satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.</p>
<p><b>Auditing Accounting Estimates</b></p> <p>ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates.</p>	<p>We did not identify any issues in respect of estimates included within the financial statements.</p>

Continued over.

## Financial Statement Audit (continued)

### Our application of materiality

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

Item	Thresholds applied
<b>Planning materiality</b>	We determined planning materiality to be £1.133 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
<b>Reporting threshold</b>	We agreed with the Governance and Audit Committee that we would report all audit differences in excess of £0.057 million.

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

- ▶ Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness.
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness.

## Financial Statement Audit (continued)

### Audit differences

Management corrected, within the authorised financial statements, one audit difference in relation to:

- ▶ Pension Fund Liability – As a result of our audit procedures under IAS19 in respect of the Pension Liability, we were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. The Council obtained a revised actuarial report which showed a reduction in the Council's share of the Pension Fund Liability by £1.216 million.

We also identified a small number of misstatements in disclosures which management corrected.

There were two audit difference identified for which management did not adjust the financial statements:

- ▶ As a result of our audit procedures under IAS19 in respect of the Pension Liability, we were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. As reported above, the Council has adjusted for the South Holland element of the pension fund liability. However, the difference relating to the Council's share of the shared service provider Public Sector Partnership Services Pension Liability by £0.283 million.
- ▶ As a result of our year-end cut-off procedures we identified one transaction which had been incorrectly omitted from the 2020/21 Statement of Accounts. The difference relates to grant income of £0.092 million which had been accounted for in 2021/22 instead of 2020/21.

As both differences were not material, either individually or cumulatively, Management chose not to amend for the differences, which was ratified by the Governance and Audit Committee and confirmed within the Council's letter of representation to us.

Section 4

## Value for Money



# Value for Money (VFM)

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We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

## Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We reported our VFM risk assessment to the Governance and Audit Committee on the 17 March 2022 which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Chief Financial Officer and her team and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21. We included this assessment in our Audit Results report – Addendum – VFM Risk Assessment dated 17 March 2022.

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We had no matters to report by exception in the audit report.

## Reporting

We completed our planned VFM arrangements work in February and March 2022 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

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Our VFM commentary highlights relevant issues for the Council and the wider public.

## VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- Financial sustainability  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
  - Governance  
How the Council ensures that it makes informed decisions and properly manages its risks; and
  - Improving economy, efficiency and effectiveness:  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
-

## Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

## Financial sustainability

### ***1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them***

The finance team work with the individual departments to set the budget each year. The individual department managers will be aware of the financial pressures affecting their service area. The draft budget goes to the Corporate Management Team (CMT) and members of the Council for further discussion and consideration.

The Council also prepares a Medium Term Financial Strategy (MTFS). Both the budget and associated Medium Term Financial Strategy are taken to the Full Council in February for consideration and approval.

### ***2. How the body plans to bridge its funding gaps and identifies achievable savings***

As part of the budget papers for 2020/21, a savings efficiency target was identified. Initial savings and income generating opportunities were identified and monitored as part of the quarterly monitoring process. Any timing issues relating to when savings materialise can be managed through the use of reserves to mitigate timing issues.

Since 2020/21, the Council's management structure has seen a lot of change, as the previous 10 year relationship with Breckland Council was dissolved on 1st May 2021. On the 1st October 2021, the Council formed a strategic partnership with East Lindsey District Council and Boston Borough Council. An Annual Delivery Plan was produced to identify opportunities of achieving efficiencies across this new partnership.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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## Financial sustainability (continued)

### ***3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities***

The Council has a Corporate Plan in place, which is refreshed annually to ensure it is relevant to the current political and economic climate. The Plan will then be fully updated every 4 years.

### ***4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system***

The different budgets (capital, treasury, and revenue) are set annually at the same time to ensure consistency of approach. The salary budgets are set from establishment information to ensure this is in line with workforce planning assumptions. The annual budget links to the Corporate Plan to ensure there is sufficient funding to deliver on the Council's priorities.

The Capital Strategy and the Medium Term Financial Plan both show the strategic links to other key Council policies such as Corporate Risk Management, IT, Digital, Housing, Treasury Management and Corporate Asset Management.

### ***5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.***

The Council identifies and manages risks to financial resilience through quarterly performance reports, which go to Cabinet meetings for discussion. These reports provide information on the forecast full year financial performance for revenue, capital, and treasury. They also provide more detail on any significant variances identified between budget and forecast outturn.

The Council will consider financial implications of identified risks in the Strategic Risk register, which includes considering the controls and mitigations in place, and monitoring and reporting any developments in relation to those risks.

The budget and Medium Term Financial Strategy also considers key risks to delivering the budget, and assesses their likelihood and impact, as well as detailing the relevant mitigation actions in place.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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## Governance

### ***1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud***

The Council has a Strategic Risk Register in place. Risks are scored against a risk matrix and held on the Pentana system. These are updated quarterly and presented to the Governance and Audit Committee, where they are appropriately challenged.

Service managers are responsible for their departmental risks and they will receive notifications every quarter to assess their risks on the system and update them for the latest position. The Corporate Improvement Team collate the risks and work with stakeholders and risk owners to ensure that the risks continue to be identified correctly and mitigated against.

The Council has an Internal Audit function in place. The Internal Audit Plan for the year was presented and discussed at the Governance and Audit Committee. Internal Audit also present regularly to the Committee throughout the year about their progress against the plan and the outcome of their audits, culminating in the Head of Internal Audit Opinion for the financial year.

### ***2. How the body approaches and carries out its annual budget setting process***

The budget is prepared by the finance team with input from all individual departments. Departments are not allowed to account for any growth unless it is contractual or inflationary. The Finance team works with the individual departments in putting this together. Once the overall budget is drafted, it is reviewed to ensure that there are no large unexplained variances in relation to the previous year. If any such variances are identified, they ensure the rationale for it is clear and linked to corporate or service priorities.

The draft budget is reviewed by the Corporate Management Team, and Members in January for discussion, and to consider any further comments or observations which might need to be factored in. Following that, the budget is presented to Cabinet and the Full Council in February for final approval prior to the start of the financial year.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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## Governance (continued)

***3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.***

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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Cabinet is responsible for overseeing the overall financial performance of the Council. They receive quarterly performance reports to monitor the Council's performance against the budget and updated yearly forecasts. The Council's Performance Monitoring Panel also receives and discusses these performance reports.

The quarterly performance reports aim to provide Members, businesses and residents with an overview of how the Council is performing against a number of key indicators and to highlight how key services have performed whilst the organisation continues to respond to ongoing challenges. Non-financial information, for example: volume of calls received by the Council, average wait time for calls, and number of visits to the Council's website, is included in these reports.

## Governance (continued)

***4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.***

Committee papers are prepared using a proforma template which considers all the key implications of the report in question. This includes consideration of background, expected benefits, recommendations, implications, and whether there are any wards or communities affected by the decision.

Full Council is the key decision-making body of the Council. Every elected member of the Council is able to attend these meetings and has a vote on all decision items. A decision also requires a majority of voting members approval in order to be passed.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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There are two Overview and Scrutiny Committees that support the work of the Cabinet and the Council as a whole. These are the Performance Monitoring Panel (PMP), and the Policy Development Panel (PDP). They allow wider involvement in Council business by including non-councillors from the wider public sector, as well as voluntary and community groups, to help them in their work. These Committees may make reports and recommendations to the Cabinet and Council as a whole on its policies, budget and service delivery. The PMP can 'call-in' a decision of the Cabinet that has been made but not yet implemented, or may recommend that the Cabinet reconsider their decision.

The Governance and Audit Committee meets quarterly, and there is an extra meeting in July to review the draft financial statements. This Committee is comprised of appropriately experienced members, and has clear terms of reference. There is a standing item on the agenda around training, whereby Members can request for additional training should they require it.

## Governance (continued)

### ***5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).***

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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The Council has a 'Members Code of Conduct' and an 'Officers Code of Conduct' in place. There is a Gifts and Hospitality Register, which is held in a hard copy by the Monitoring Officer. Committee meetings all have a standing agenda item for the formal declarations of interests. Declarations for related party transactions are done annually, and Corporate Management Team also perform a Companies House check on Members and senior officers.

The Monitoring Officer is legally responsible for monitoring the compliance of the Council's policies. The Monitoring Officer deals with any complaints that are raised, and they are also able to engage an independent person, if needed, to review a complaint. The Council has a formal whistleblowing policy in place, with appropriate prominence on the Council's website and for staff.

The Council's policies are reviewed and updated on a regular basis, for example the 'Whistleblowing', and the 'Counter-fraud, Corruption, and Bribery' policies are reviewed every 3 years.

## **Improving economy, efficiency and effectiveness**

### ***1. How financial and performance information has been used to assess performance to identify areas for improvement.***

Cabinet reviews the quarterly financial performance reports, and any overspending against budget would be challenged in that forum. The Performance Monitoring Panel (PMP) also receives quarterly performance reports, which look at several key strategic indicators and outlines performance against these. Metrics from each quarter are compared and quarter-to-quarter change is reported. Performance and business intelligence metrics cover areas such as customer/digital, environmental services, housing, revenues and benefits, HR, communities, inward investment, and planning. Comments are also included to explain variances.

### ***2. How the body evaluates the services it provides to assess performance and identify areas for improvement***

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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The Council has an established Performance Management Strategy setting out how it monitors performance and the delivery of objectives and risks. The Corporate Improvement and Performance Team manage the Council's corporate planning cycle, performance management framework, and the policy framework.

The Council measures its performance through the quarterly performance reports that are presented to the Performance Monitoring Panel and Policy Development Panel. Where performance is below plan, these reports highlight the action being taken to seek the required improvement. Individual service managers also report on how to improve and address any issues identified.

The Governance and Audit Committee reviews information relating to risk management, audit, and treasury management on a quarterly basis. The Council's budget ensures the provision of the appropriate resources required to deliver the Council's Plan, and the types of action necessary to enable them to be affordable, to allow balanced budgets to be delivered.

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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## Improving economy, efficiency and effectiveness (continued)

### ***3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve***

The Council's most significant partnership is the contract with Public Sector Partnership Services Ltd (PSPS), which holds regular board meetings and the board consists of a members and officer representative from each of the three Councils that own the company.

The Council also had a shared management arrangement in place with Breckland Council during 2020/21. A Memorandum of Understanding was in place for this long standing arrangement, which sets out the governance arrangements for shared management and joint working. As a result of the evolving needs of both Councils to meet the challenges of the Covid-19 pandemic, Full Council approved in February 2021 that the existing shared management arrangements with Breckland Council would cease with effect from May 2021.

For other partnerships, the Council holds a Partnership Register, which records the key details of what service is being provided, the key partners involved and the reporting framework around the partnership.

### ***4. How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.***

The Council's constitution sets out polies and procedures that they have for procuring services, as well the delegation to individuals and Committee's for and on the Council's behalf.

The procurement services was delivered by Breckland Council (as part of the partnership agreement), and they were responsible for providing advice on procurement, running the procurement process and ensuring that established Council procurement procedures are followed.

The main council contract is with Public Sector Partnership Services Ltd (PSPS) (in conjunction with East Lindsey District Council & Boston Borough Council from 1st April 2021), for the delivery of the majority of the Councils back office services, including procurement.

There are relevant governance frameworks in place for these partnership arrangements, predominantly through Shared Services Boards and Service Level Agreements, and the Council continues to keep its role in these activities under review.

## **Forward look**

### ***Looking forward to 2021 and beyond***

Although we did not identify any significant weaknesses in the Council's value for money arrangements there is one item in relation to governance that we wish to bring to your attention.

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On the 1 October 2021, the Council formed the strategic partnership with East Lindsey District Council and Boston Borough Council.

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In August 2021, the South & East Lincolnshire Councils Partnership - between East Lindsey District Council, Boston Borough Council and South Holland District Council - was agreed by all three member Councils. A Memorandum of Agreement between all three councils was signed at the end of September, with the Partnership officially coming into being from 1 October 2021.

This Partnership initially sees the three Councils share a Corporate Management Team.

All three Councils continue to retain their own identity and to be accountable to their local communities, however, sharing expertise, teams and resources will allow each Council to make significant savings – key to their individual Medium Term Financial Plans. The councils also hope the partnership will provide a stronger voice when it comes to securing future Government growth funding and influencing how services are delivered locally in the future.

This partnership will be a focus of our 2021/22 Value for Money procedures as we seek to understand the impact of any capacity pressures that a single Corporate Management Team responsible for the accountability of three individual authorities may lead to.

A photograph of a business meeting in progress. Several people are gathered around a large wooden conference table. In the foreground, a woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at a document on the table. Other participants are visible in the background, some with their hands on the table, suggesting an active discussion. The lighting is bright and professional.

Section 5

## Other Reporting Issues

## Other Reporting Issues

### **Annual Governance Statement**

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance. We had no matters to report.

### **Whole of Government Accounts**

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued. We will liaise with the Council to complete this work as required.

### **Report in the Public Interest**

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

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

### **Other powers and duties**

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

### **Control Themes and Observations**

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

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

Our audit did not identify any control issues to bring to the attention of the Governance and Audit Committee.

Appendix A

# Audit Fees



## Audit Fees

Our fee for 2020/21 is in line with the audit fee reported in our Annual Results Report presented to the Governance and Audit Committee on 17 March 2022.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	34,293	34,293	34,293
2019/20 Fee Variation as approved by PSAA (Note 1)	-	-	19,934
<b>Revised Scale Fee</b>	<b>34,293</b>	<b>34,293</b>	<b>54,227</b>
<b>Additional work:</b>			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 2)	33,175		
Audit of the group account consolidation (Note 2)	4,640		
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of:			
• Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern, change in actuary, new payroll system and delays in receiving working papers.	Note 3	-	
<b>Total fees (excluding VAT)</b>	<b>TBC</b>	<b>34,293</b>	<b>54,227</b>

**Note 1** – PSAA Ltd determined the Fee Variation on 22 October 2021.

**Note 2** – For 2019/20 we proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase has been discussed with management and has now been determined by PSAA. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and is subject to approval by PSAA Ltd. Note that PSAA Ltd have increased their scale fee variation rates by 25% for 2020/21 and as a result we have applied this increase to within our calculation.

**Note 3** – As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting and associated audit risks pertaining to Covid-19, the change in actuary and the new payroll system. We have also encountered delays in relation to the receipt of audit evidence.

We will report the respective final fees formally, once they have been determined by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

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