

Auditor's Annual Report

Boston Borough Council— year ended 31
March 2023

March 2024



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01

Section 01:
Introduction

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Boston Borough Council ('the Council') for the year ended 31 March 2023. Although this report 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 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 27 March 2024. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for final instructions from the National Audit Office



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

At Appendix A, we have set out the main financial statement risks addressed in our audit – detailed findings were presented to the Audit and Governance Committee in March 2024.

In the table below, we set out the main audit outcomes for 2022/23.

Audit Area	Outcomes
Financial Statements	<p>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 2023 and of its financial performance for the year then ended.</p> <p>Our audit report, issued in March 2024, gave an unqualified opinion on the financial statements for the year ended 31 March 2023.</p>
Qualitative aspects of the Council's accounting practices	<p>We reviewed the Council's accounting policies and disclosures and concluded they complied with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.</p>
Internal Control Recommendations	<p>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.</p> <p>We did identify one 'High – level 3' recommendation for 2022/23 relating to the timely preparation of bank reconciliations. The Council did not prepare their 2022/23 year-end bank reconciliations until February 2024, 11 months after the year-end. This is a basic and fundamental control that that ought to be in place and we consider this to be a significant deficiency in internal control.</p>
Annual Governance Statement	<p>We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.</p>
Wider responsibilities	<p>Our powers and responsibilities under the 2014 Act are broad and include the ability to:</p> <ul style="list-style-type: none"> • issue a report in the public interest; • make statutory recommendations that must be considered and responded to publicly; • apply to the court for a declaration that an item of account is contrary to law; and • issue an advisory notice under schedule 8 of the 2014 Act. <p>We have not exercised any of these powers as part of our 2022/23 audit.</p>

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:



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



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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	Yes – see commentary on page 13
 Governance	16	No	No	Yes – see commentary on page 18
 Improving economy, efficiency and effectiveness	20	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

We reported in our Annual Auditor’s Report for 2021/22, that we had:

- Reviewed the 2021/22 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements;
- Reviewed the 2022/23 General Fund Budget.
- Reviewed the Council’s Annual governance Statement for any significant issues and considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2021/22. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

2022/23 Budget Setting and the Medium-Term Financial Strategy

We considered the 2022/23 budget setting process, including the Medium Term Financial Strategy as part of our work on the 2021/22 review of arrangements, with no significant concerns arising. We were satisfied that, the Budget Report for 2022/23 adequately explains revenue and capital budgets, with a sufficient link to specific business units, as well as an explanation on the impact to the general fund balance. The Council reported its financial outturn position in the 2022/23 Statement of Accounts, which highlighted a total general fund budget variance of £155k.

The Council also reported a £2.5m underspend on their capital programme (including REFCUS). The capital budget had not been fully utilised as projects were still in progress, and the budgets are therefore required to be

reprofiled to complete the projects in 2023/24. Our testing of capital additions as part of the financial statements audit did not identify any concerns relating to the Council’s arrangements. Furthermore, there is no indication of excessive use of capital flexibilities to support revenue expenditure, nor has our work on the financial statements highlighted any concerns regarding the Council’s policy for setting the Minimum Revenue Provision.

The Council’s financial planning and monitoring arrangements

A balanced General Fund budget for 2022/23, as set out in the Council’s Budget Setting Report and Medium Term Financial Strategy 2022/23 to 2026/27, was approved at the March 2022 Council meeting. Despite increased pressures being felt on the delivery of required savings targets, these were confidently expected to be covered by actions in hand, although drawdown on the Funding Volatility reserve was still required, predominantly to fund the NNDR deficit through carried forward S31 grant. The continuing uncertainty does make strategic financial planning difficult for Councils, particularly in relation to its General Fund services.

During the year the Council reported its financial position through the quarterly financial performance reports and the Cabinet maintained oversight on performance. We reviewed the reports presented for 2022/23, which contain adequate detail on any significant variances to budgets and an update on forecast reserve movements. The reports also contain information on progress against the approved capital programme and reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight. . We note however, the Council have not taken a financial outturn report to Cabinet for 2022/23, and reports were not taken for every quarter in 2022/23. From our review of Cabinet minutes, we reviewed the Q2 finance update in December 2022. The next finance update was in the September 2023 meeting, which provided an update covering Q1 2023/24. We have considered further the arrangements in place in respect of budget management as part of the Governance criteria on page 18.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

2022/23 Statement of Financial Position

We carried out a high-level analysis of the 2022/23 financial statements, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability.

The Council's financial position as reported in the balance sheet does not indicate significant weaknesses in financial sustainability. The most significant change in the balance sheet relates to movements in the Council's pension fund net liability (being a deficit position) of £9.2m, down from £33.9m in the prior year. This significant movement over the prior year, has been seen across sector, in part to do with the triennial valuation. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities.

The Council's usable reserves totalled £22.52m at the end of 2022/23 (£22.98m at the end of the previous year), with:

- General Fund and Earmarked Reserves of £16.33m (prior year: £19.05m);
- Capital Receipts and Grants Reserves of £5.87m (prior year £3.63m).

These reserves provide some mitigation against future financial challenges and include specific reserves (including Funding Volatility Reserve £2.6m, and Property Fund Returns Risk Mitigation Reserve £1.1m) to address future volatility and support investment plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned. Use of reserves cannot be relied on to provide a long term solution to funding gaps. Our work has not highlighted either a risk of or actual significant weakness in the Council's arrangements for ensuring financial sustainability.

2023/24 Budget Setting and the Medium-Term Financial Strategy

The budget setting report for 2023/24 to 2027/28 was approved by the Council in March 2023. The 5 year plan highlights the growing need for the Council to achieve its ambitious savings targets to ensure the continued delivery of a balanced budget with required savings identified of £0.664m in 2023/24 rising to £1.4m by 2027/28. The plan requires a cumulative total of £5.892m over the next 5 years. The phasing of the savings are back-ended giving the Council time to firm up its plans.

We have reflected on the progress in 2023/24 by reviewing the budget monitoring report to the March 2024

meeting of the Cabinet covering the period to Quarter 3 of 2023/24. The report gives an overview of the financial position, supported by adequate detail available within the appendices. The revenue budget has a projected underspend of £162k. The report details the reasons behind the most significant variances. A number of underspends and areas of reduced income prove to be 'one off' in nature and relate solely to this financial year. However, some represent a more longer-term trend, including those relating solely to the ongoing legacy impacts of Covid-19 and the cost of living challenges, and where appropriate these will be considered and be factored into future budget setting processes.

Overall, in our view, the Council's reported financial performance at Quarter 3 does not indicate any risk of significant weakness in the Council's arrangements in setting the 2023/24 MTFS.

2024/25 Medium-Term Financial Strategy

We have also updated our review to consider the most recent MTFS (2024/25) that was approved by Full Council in March 2024. The updated position shows a reduced target for 2024/25 of £340k, but an increase in the total savings required over 5 years, which now totals £7.042m.

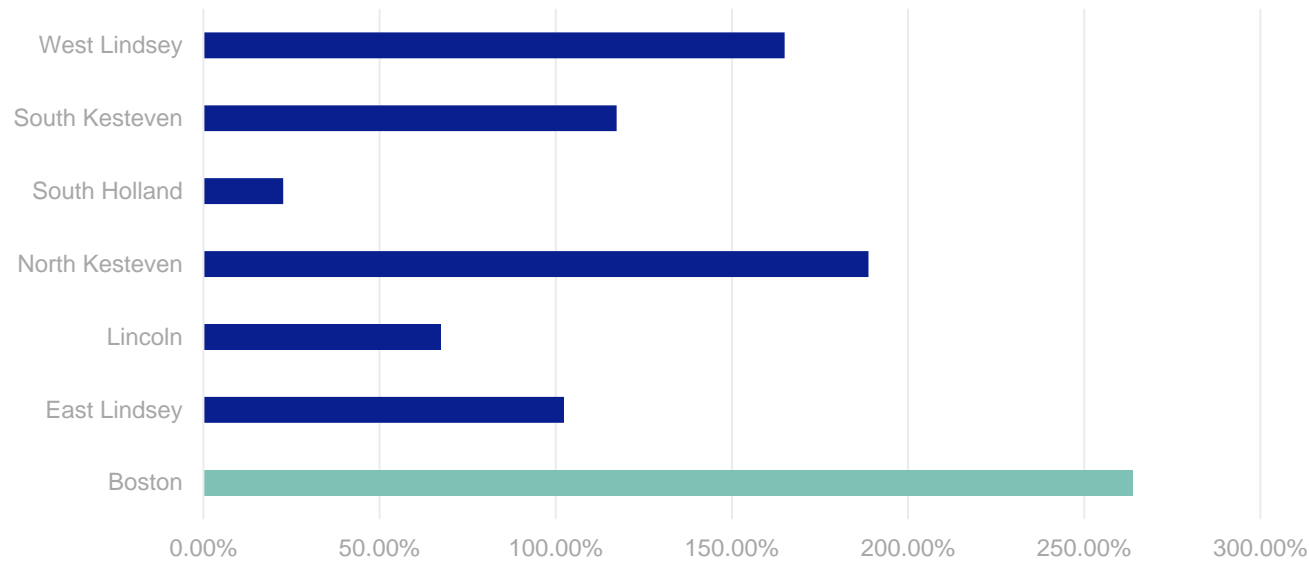
A funding volatility and contingency reserve exists over the period to mitigate and smooth the effect of any shortfall in savings. The ongoing delivery of a significant level of efficiencies and savings is recognised as a key challenge to the Council. There is no indication of a significant weakness in arrangements for financial sustainability, given the delivery of £602k savings in its 2023/24 forward look, however, the financial position is undoubtedly getting more challenging and we have therefore raised an 'other recommendation' relating to the need to strengthen its savings plans and give greater consideration to investment in transformation, supported by effective leadership to ensure it is met. See section 3 for details of this recommendation.

VFM arrangements – Financial Sustainability

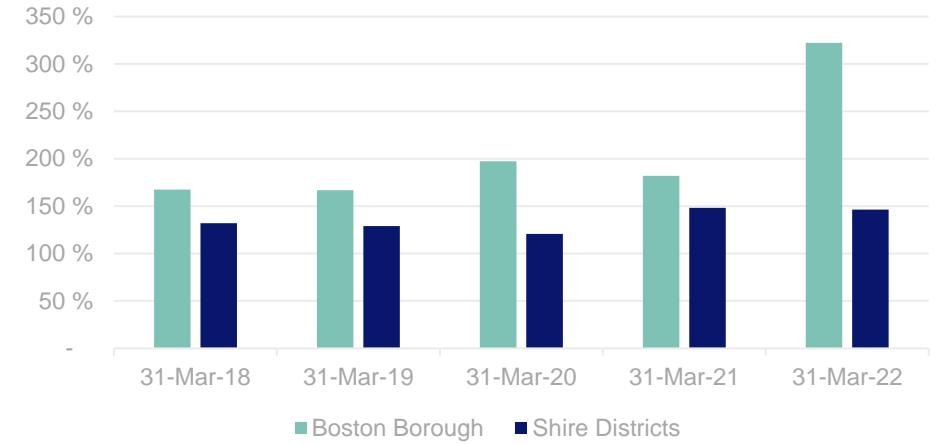
Financial sustainability and revenue reserves

We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been above the median compared to shire districts since 2018, increasing significantly from 2021 onwards (charts right), significantly above other Lincolnshire district councils.

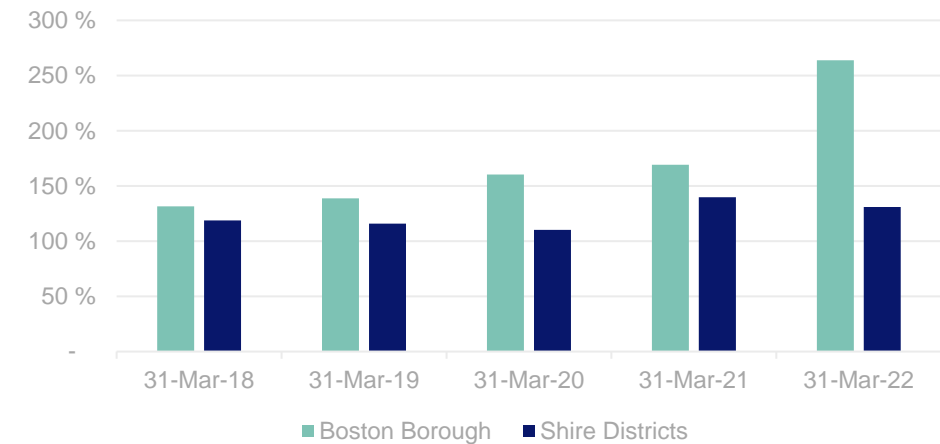
Un-ringfenced reserves as % of service expenditure adjusted for ring-fenced grants: 2021/22



Un-ringfenced reserve as % of Net Revenue Expenditure - median



Un-ringfenced reserves as % of service expenditure adjusted for ring-fenced grants - median



Details on the definitions and data quality arrangements are available here: <https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22>

VFM arrangements – Financial Sustainability

Financial sustainability and reserves (continued)

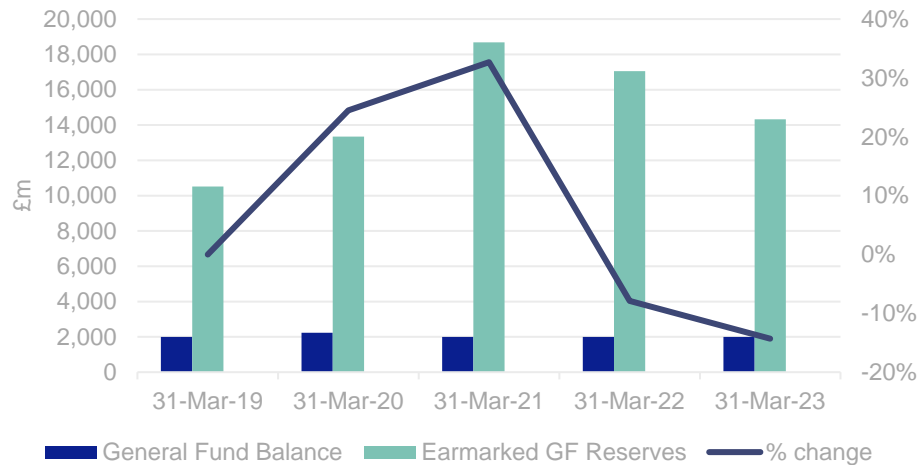
The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

Through a review of the financial statements, we have considered the Council's revenue reserves over time:

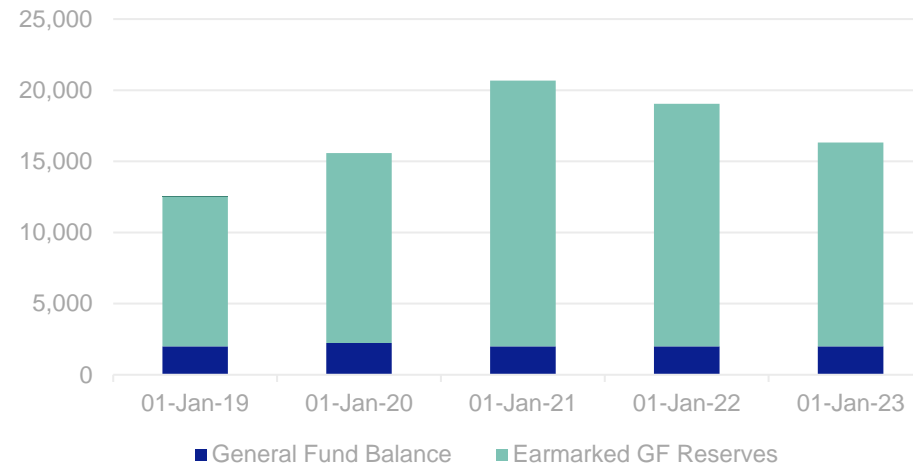
- As set out on the previous page, the Council's revenue reserves are above the median for district councils.
- Whilst reserves have increased to 2021, and remained relatively stable since, they are finite. The Council's General Fund Balance has remained stable over the last 5 years, but the savings targets required in order to maintain this are increasing rapidly

Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability but is something that Council need to continue to monitor and manage through savings programmes going forwards.

Useable Revenue Reserves: Boston Borough Council



Useable Revenue Reserves: Boston Borough Council



Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability, although we have made an 'other recommendation; in section 3 in relation to savings targets.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from the previous year.

Risk management and monitoring arrangements

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an approved Risk Management Strategy which includes the Council's approach, guidance, the Council's risk appetite and roles and responsibilities.

Each directorate maintains and updates its own risk register, which then feeds into the Council-wide corporate risk register. Each risk has an assigned risk owner and a risk score based on a probability and impact matrix. Where mitigating actions are identified they are also assigned an owner and a due date to ensure there is appropriate accountability. This allows for effective oversight of the risks.

The corporate risk register provides the Council's senior leadership team with oversight of the key risks faced by the organisation.

The Audit and Governance Committee receives regular reports on the Council's Strategic Risks and provides oversight on the risk management arrangements in place and the adequacy of the controls and proposed actions. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council's purposes. From our attendance at these meetings, we have seen Members challenge the scores and key risk management activities to gain assurance about the effectiveness of the arrangements in place.

In order to provide assurance over the effective operation of internal controls the Council has engaged Assurance Lincolnshire to provide its internal audit service. Assurance Lincolnshire's Audit and Risk Manager acts as Head of Internal Audit and the service has been externally assessed as meeting the Public Sector Internal Audit Standards. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval.

The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council, where relevant,

to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2022/23 and 2023/24 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to Audit and Governance Committee meetings including follow-up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion on the Council's governance, risk and control framework based on the work completed during the year. We have reviewed the Annual Report and are satisfied that the Head of Internal Audit's opinion does not indicate any significant weaknesses in the Council's governance arrangements.

The Head of Internal Audit Annual Report was presented to Audit and Governance Committee in July 2023, and, based upon the work undertaken by Internal Audit during 2022/23, the Head of Internal Audit's overall opinion on the Council's control environment is:

- "Governance: Performing Adequately"
- "Risk: Performing Adequately"
- "Internal Control: Performing Adequately"
- "Financial Control: Improvement Needed".

The Council is part of the County Fraud Partnership, has a Counter Fraud, Corruption, Bribery and Money Laundering Strategy and a Whistleblowing Policy. The Council carries out proactive anti-fraud work, such as the regular Council Tax Single person discount reviews, and partakes in the bi-annual National Fraud Initiative, although recognises that this is an area which could be strengthened.

Throughout the year we have attended Audit and Governance Committee meetings. Through attendance at these meetings we have confirmed that the committee receive regular updates on both internal audit progress and risk management in the form of risk registers. We have seen active Member engagement from the Committee who challenge the papers and reports which they receive from officers, Internal Audit and external audit.

We have also reviewed meeting minutes from both Council and Cabinet meetings which evidence an appropriate level of member engagement and challenge.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the Budgetary and Policy Framework Procedure rules. The framework includes clear responsibilities, including the role of the S151 Officer in leading the budget setting process and providing professional advice, review by the relevant Overview and Scrutiny and Audit and Governance Committees, and the reservation of the approval of the Budget to the Council based on the Cabinet's recommendation.

The process begins with the creation of the Medium Term Financial Strategy and the tactical financial strategies for Capital and Treasury Management which involves various assumptions and known changes moving forward. From that base accountants in conjunction with budget managers go through a more detailed review of service need/pressures identifying any potential budget bid requirements or savings.

Following approval of the budget and Medium Term Financial Strategy, budget monitoring commences to monitor progress against targets. We reviewed the reports presented for 2022/23, which contain detail on any significant variances to budgets and an update on forecast reserve movements. The reports also contain information on progress against the approved capital programme and reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight. We note however, the Council have not taken a financial outturn report to Cabinet for 2022/23, and reports were not taken for every quarter in 2022/23. From our review of Cabinet minutes, we reviewed the Q2 finance update in December 2022. The next finance update was in the September 2023 meeting, which provided an update covering Q1 2023/24. Whilst this doesn't indicate a significant weakness in the Council's governance arrangements, because there are regular management accounts presented and the production of year end financial statements, we have made an 'other recommendation' in section 3 in this respect. The Council should ensure the financial position is reported on quarterly, and that a provisional outturn report is produced and taken to Cabinet following the year-end.

There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Management Strategy Statement (encompassing the Capital, Treasury Management and Annual Investment Strategies) are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

We have reviewed capital expenditure as presented in the financial statements and no issues arose from our testing of additions. We have confirmed regular monitoring of the capital programme exists. For 2022/23 the capital programme experienced a number of delays with an underspend of some £2.5m against a revised budget of £6.2m. This has necessitated the slippage of some projects into 2023/24 relating predominantly to the

Town Centre Heritage, Boston station, and changing places schemes. Our review of in-year budget monitoring and discussions with officers confirmed the Council's approach is consistent with the approach taken at other local authorities, and indicative of adequate arrangements in place.

Role of the Audit and Governance Committee and the Medium Term Financial Strategy

We have attended meetings of the Audit and Governance Committee, including January 2024 where the draft 2024/25 – 2028/29 budget report was presented. The covering report invited scrutiny to comply with the Council's budgetary and policy framework. In our experience, this is not a task normally set for Audit and Governance and can confuse the purpose of an assurance based committee. It does not give rise to a significant weakness in arrangements, but we have raised an 'other recommendation' in this respect.

Arrangements for financial reporting

In 2021/22 there were a number of delays over the audit of the 2021/22 financial statements. This included poor quality draft accounts and supporting working papers and significant delays in management providing responses to audit queries. There were a number of unique issues, including the implementation of a new payroll system and the specific one-off accounting arrangements in respect of the Council's joining of Public Service Partnerships Limited, including the requirement to produce group accounts. We had raised this as an improvement opportunity and discussed the performance with Officers and raised specific recommendations in our 2021/22 Audit Completion Report. Officers gave us assurance that the situation would be improved for 2022/23.

We reported in our 2022/23 Audit Completion Report that went to the March 2024 Audit and Governance Committee, that we encountered some issues in 2022/23 relating to the ledger system change. Again, this was a unique event in year and not indicative of a significant weakness. In addition, we raised a significant deficiency in internal control, in relation to the fact that the Council did not produce its 2022/23 year-end bank reconciliations until February 2024, 11 months after the year end. We have received assurances from Officers on improvements to be made, and we have therefore determined that this situation does not give rise to a significant weakness in arrangements, however we have made an 'other recommendation' in this respect. See section 3 for full details.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Decision making arrangements and control framework

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS).

The AGS is a critical component of the Council's governance arrangements. It is an evidenced self assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. As such, those who are responsible for those arrangements must approve it and in this respect it is formally signed by the Joint Chief Executive and the Leader of the Council. This emphasises that the document is about all corporate controls and not just financial controls. We reviewed the AGS and considered the Audit and Governance Committee's review of the AGS and monitoring of actions throughout the year in relation to any significant governance issues.

The governance structure, as described in the AGS includes amongst other things the Constitution, Code of Corporate Governance and scheme of delegation which shows the levels of authority required for all key decisions. The AGS sets out the governance principles which the Council are committed to and within which the Council conducts its business and affairs. The AGS identifies the arrangements in place to enable the Council to meet the good governance principles identified.

The required Standards Committee arrangements are in place designed to promote and maintain high standards of conduct by members and co-opted Members of the Council and of the Town and Parish Councils within the Borough. We have reviewed the Committee's minutes in the year and not identified any matters of concern.

The Constitution is kept under review and updated as required. The Constitution sets out how the Council operates, how decisions are made and the procedures to support the Council's aims of being transparent and accountable. The Constitution includes the Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract and Procurement Procedure Rules and the Members' Code of Conduct.

There are Overview and Scrutiny Committee arrangements in place to support the work of the Cabinet and the Council as a whole. The committees have a work programme in place to steer their coverage of services and policy decisions taken. The Constitution includes the Overview and Scrutiny Committee Procedure Rules, which cover the arrangements for call in of decisions. We have reviewed the Overview and Scrutiny Committee's minutes throughout the year and not identified any concerns.

The Council's Monitoring Officer has three main roles:

- To report on matters they believe are, or are likely to be, illegal or amount to maladministration;
- To be responsible for matters relating to the conduct of Councillors and officers; and
- To be responsible for the operation of the Constitution.

Regulators

There are few external regulators for district councils and we have not identified any matters reported which indicate significant weaknesses in the Council's governance arrangements.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance, although we have made two "other recommendations" in section 3

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year.

Performance Management

The Corporate Strategy 2020 to 2024 sets out the Council's strategic aims and objectives, and key intended outcomes for the four years of the Plan. The Council has identified the key performance indicators, and target levels of performance, in relation to these priorities, which should inform the Council as to whether it is achieving community aspirations and making a difference to the quality of life, economic performance and environmental sustainability of Boston. The performance targets are informed by national standards, local benchmarking and experience and are subject to initial challenge and confirmation.

The Council has in place a joint performance management framework across Boston, East Lindsey, and South Holland Councils to support the joint delivery of services.

There is quarterly reporting to the Senior Leadership Team, Overview & Scrutiny - Environment & Performance Committee and the Cabinet. These quarterly reports identify whether the performance is on/off track and its direction of travel. They include appropriate commentary to explain any significant factors which are affecting performance and actions being taken to correct performance. Alongside the performance information an update on the progress of the Council's key projects is also presented.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key successes and risk areas. The Narrative Report also includes an agreed plan for subsequent years, including any areas for improvement. This provides the public with an overall assessment of the Council activities for the financial year.

We reviewed a sample of the detailed performance reports and reviewed the Cabinet minutes which demonstrate the Committees' review and challenge of the quarterly reports. The quarterly reports demonstrate

that performance has been managed throughout 2022/23 and any significant variances have been justified, with no major unexpected gaps in performance at the year end. The process has continued into 2023/24. Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for performance monitoring and management at the Council.

Partnerships

Whilst significant changes took place in 2021/22, with the commencement of two new arrangements during the year, including becoming a shareholder of PSPS, and widening the East Lincolnshire Councils Partnership to include South Holland District Council, there are no further significant partnership changes in 2022/23 and no indication of a risk of significant weakness in arrangements.

Procurement

The Council has Contract and Procurement Procedure Rules in place which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability. The Council's procurement activities are supported by King's Lynn and West Norfolk Council which provides access to specialist procurement services and savings and has its own specialist procurement staff. The Council has specific arrangements through standing financial instructions and purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies in these areas.

3. Commentary on VFM arrangements

Recommendations for improvement



3. Recommendations

Recommendations for improvement

As a result of our work, we are satisfied there are no significant weaknesses in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. However, we have raised the following ‘other recommendations’

Other recommendations

		Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
1	<p><u>Savings targets</u></p> <p>The MTFS 2023/24 to 2027/28 required a cumulative total of £5.892m savings over the 5 year plan. The 2024/25 to 2028/29 MTFS requires an increased level of savings, amounting to £7.042m over the life of the plan. A funding volatility and contingency reserve exists to mitigate and smooth the effect of any shortfall in savings. The ongoing delivery of a significant level of efficiencies and savings is recognised as a key challenge to the Council. There is no indication of a significant weakness in arrangements for financial sustainability, given the delivery of £602k savings in its 2023/24 forward look, however, the financial position is undoubtedly getting more challenging</p>	●			We recommend that the Council looks to strengthen its savings plans. We recommend that the Council gives greater consideration to investment in transformation, supported by effective leadership, to ensure it is able to meet its increasing savings targets.
2	<p><u>Financial monitoring/ outturn reports</u></p> <p>On reviewing Cabinet minutes, we found that for 2022/23, finance updates were presented covering quarters 1 and 2, however no quarter 3 update was taken to Cabinet, and no 2022/23 outturn report has been presented either. Whilst the draft financial statements themselves report the outturn for the year, the Council should also produce an outturn report, providing detail and explanation for the variances compared to the approved budget.</p>		●		We recommend that the Council ensures quarterly finance update reports are produced and presented to Cabinet, as well as a detailed outturn report at year-end

3. Identified significant weaknesses and our recommendations

Other recommendations continued

		Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
3	<p><u>Role of the Audit Governance in the Draft Budget and MTFS</u></p> <p>Under the Council's current framework, the Audit & Governance Committee scrutinise the budget. In our experience, this is unusual given the role is normally focused on assurance.</p>		●		We recommend the Council re-evaluates the purpose and benefits of the budget being taken to Audit and Governance and whether there are either sufficient existing opportunities for scrutiny to render the agenda item unnecessary, or whether there are better alternative forum for the scrutiny to take place.
4	<p><u>Bank reconciliations</u></p> <p>We reported in our 2022/23 Audit Completion Report that that we identified a significant deficiency in internal control, in relation to the fact that the Council did not produce its 2022/23 year-end bank reconciliations until February 2024, 11 months after the year end.</p>		●		We recommend that the Council ensures bank reconciliations are produced monthly, and on a timely basis. Bank reconciliations are a fundamental control that the Council should be performing on a timely basis. The bank reconciliations also included a significant volume of "reconciling items" due to errors that needed to be corrected. We recommend that the Council investigates and corrects these postings as soon as possible.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

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

We submitted the assurance statement to the National Audit Office (NAO) in line with the NAO's Group Audit Instructions. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council's WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in July 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees	2022/23 fees	2023/24
Planned fee in respect of our work under the Code of Audit Practice	33,961	42,249	131,050
Additional fees in respect additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	6,700	Included in scale fee	
Subtotal	40,661	42,249	
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates, ISA315 Planning and Risk Assessment)	3,000	8,978	
Other additional testing – additional costs as a result of quality preparation issues and reporting	15,000	6,097	
Additional costs arising from work on the new payroll system	4,000	-	
Additional costs arising from the IAS19 Pension Triennial Review	4,000	-	
Technical Accounting Issues: additional costs arising from IFRIC 14 and Pension Asset Ceiling	-	512	
Additional costs arising from the need to prepare Group Accounts	4,500	4,757	
Additional costs arising from work on the new ledger system	-	16,463	
Additional fees in respect of the VFM Commentary	8,100	9,045	
Total fees	£79,261	£88,101	£131,050

2022/23 Fees subject to PSAA approval.

There were no non-audit services in 2022/23.



Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	How we addressed the risk	Audit Conclusion
<p><u>Management Override of Controls</u></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>No issues have been identified</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	How we addressed the risk	Audit Conclusion
<p><u>Valuation of land and building assets held at valuation</u></p> <p>The Council's accounts contain material balances and disclosures relating to its holding of land and buildings within the caption of property, plant and equipment, as well as investment properties and assets held for sale, with the majority required to be carried at valuation. The valuation of these assets is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area</p>	<p>We addressed the risk by:</p> <ul style="list-style-type: none"> • Critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; • Assessing whether valuation movements are in line with market expectations by considering valuation trends; and • Critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers 	<p>No issues identified</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	How we addressed the risk	Audit Conclusion
<p><u>Net defined benefit liability valuation</u></p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. 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 have determined there is a significant risk in this area</p>	<p>We addressed the risk by:</p> <ul style="list-style-type: none"> • Critically assessing the competency, objectivity and independence of the Lincolnshire Pension Fund's Actuary, Barnett Waddingham; • Liaising with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed effectively. This will include 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 is complete and accurate; • Reviewing 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 will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and • Agreeing 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. 	<p>The assurance letter we received from the auditor of Lincolnshire Pension Fund detailed a difference arising in their work. We have therefore calculated Boston Borough Council's share of the error to be £148k and reported this as an unadjusted misstatement. In addition, we raised one control recommendation around management's review of pension assumptions.</p> <p>No further issues were identified.</p>

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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