

Rushmoor Borough Council

Annual Audit Letter for the year
ended 31 March 2020

July 2023

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



A blurred background image showing a pair of hands holding a tablet computer. The hands are positioned as if presenting the device, with the fingers wrapped around the edges. The tablet screen is visible but out of focus. The overall scene is brightly lit, suggesting an indoor office or meeting environment.

Section 1

Executive Summary

Executive Summary

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

Area of impact	Commentary
Impact on the delivery of the audit	
► Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
Impact on our risk assessment	
► Valuation of land and buildings in PPE, IP and surplus assets	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of land and buildings in property, plant and equipment, investment properties and surplus assets.
► Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
► Adoption of IFRS16	The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2024. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.
Impact on the scope of our audit	
► Information Produced by the Entity (IPE)	<p>We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:</p> <ul style="list-style-type: none">► Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and► Agree IPE to scanned documents or other system screenshots.
► Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

Executive Summary (cont'd)

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

Area of Work	Conclusion
Opinion on the Council's:	
► Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
► Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
► Consistency of other information	The other information was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 20 January 2023 and further updated at the conclusion of the audit on 27 March 2023
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 March 2023.

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

Maria Grindley

Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities

Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the 27 July 2021 Corporate Governance, Audit & Standards Committee with further updates through 2022 and 2023 and a final update at the Committee on 1 June 2023 detailing the contents of the Report and the audit findings and conclusions. The Corporate Governance, Audit and Standards Committee in this regard is those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 24 March 2021 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements, including the pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the other information is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

Key Issues

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 March 2023.

Our detailed findings were reported to the 27 July 2021 Corporate Governance, Audit and Standards Committee, and the Committee was updated at regular meetings to the completion of the audit at its meeting on 1 June 2023.

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

Significant Risk	Conclusion
Incorrect accounting for manual accruals - risk of fraud in revenue and expenditure recognition	
<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>We have:</p> <ul style="list-style-type: none">• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;• Assessed accounting estimates for evidence of management bias; and• Evaluated the business rationale for significant unusual transactions.
<p>In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the financial position.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override in relation to the incorrect capitalisation of revenue expenditure.</p>
<p>A key way of improving the revenue position is through inappropriate timing or measurement of estimates, manual accruals around the year end being a typical estimate that could be affected.</p>	<p>We did not identify any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared outside the Council's normal course of business.</p>
	<p>There were no further matters identified that we need to report to you.</p>

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
<p>Valuation of land and buildings</p> <p>The value of property, plant and equipment was £98.966k as at 31 March 2020. Investment properties were valued at £106,605k as at 31 March 2020.</p> <p>These represent significant balances in Rushmoor Borough Council's accounts and will be subject to valuation changes. Management is required to provide material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>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>Following the Covid-19 outbreak in March 2020, there is potential for significant impact on the estimations and assumptions applied to asset valuations with qualified valuers reporting 'material uncertainty' within valuation reports.</p> <p>This is particularly relevant for Fair Value / Market Value based assets because of the paucity of market information available at 31 March upon which to give those valuations.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Considered the work performed by the Council's valuers, including the scope and timing of the work performed on valuations and a comparison of valuation findings with market trends and Land Registry data; data and assumptions used by the valuers; and qualifications and expertise; • Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; • Reviewed any assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated. We have considered changes to useful economic lives as a result of the most recent valuation; • Tested accounting entries to ensure they have been correctly processed in the financial statements; and • Reviewed valuer reports and findings, which determined our specialist EY valuer was required to review of methodologies, data and assumptions. <p>We identified issues around the valuations and classifications of PPE & IP. Specifically we identified issues around the lack of supporting evidence available to support individual assets.</p> <p>We reported the following matters:</p> <p><u>Land & Buildings (L&B) & Investment Properties (IP):</u></p> <ol style="list-style-type: none"> 1) Ski Centre, Aldershot; Fair Value £647,000 - We held discussions with management and the valuer on this asset and are not comfortable with the approach being adopted to value the ski slopes nor have we, or the authority, been able to provide any benchmark data or original build cost data to support the adopted rate. We are therefore unable to conclude on this asset and have included as an unadjusted misstatement. Our recalculation of the site area based on the site plan provided by management suggests that the site area adopted by the valuer is incorrect in addition to the land value being too low 2) Our experts sampled a total of 7 other assets excluding the ski centre referenced above. The cumulative value of the Gross Book Value (GBV) of the 7 assets as valued by the external valuer of the Council was £44.86 million. Using the point in range estimate developed by our internal valuers the 7 assets in total were within an acceptable range across the total with some slight variations on a small number of assets individually. We followed up on a number of points of clarification in relation to the assets sampled by our internal specialists and concluded that the explanations were reasonable.

Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
<p>Valuation of land and buildings</p> <p>The value of property, plant and equipment was £98.966k as at 31 March 2020. Investment properties were valued at £106,605k as at 31 March 2020.</p> <p>These represent significant balances in Rushmoor Borough Council's accounts and will be subject to valuation changes. Management is required to provide material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>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>Following the Covid-19 outbreak in March 2020, there is potential for significant impact on the estimations and assumptions applied to asset valuations with qualified valuers reporting 'material uncertainty' within valuation reports.</p> <p>This is particularly relevant for Fair Value / Market Value based assets because of the paucity of market information available at 31 March upon which to give those valuations.</p>	<p>3) We challenged the assumptions supporting asset valuations and specifically raised concerns to both management and those charged with governance in respect of the assumptions around obsolescence. This focused on the useful life and depreciation factor being applied on a number of assets. This had the effect of materially overstating a number of key assets: Aldershoot Pool; Aldershot Lido; the Gymnastics Academy and Farnborough Leisure Centre. Revised valuations were supplied in respect of these assets and the revised valuations agreed as being materially reasonable.</p> <p>4) Updated asset valuations were provided and agreed on a number of investment properties. These adjustments were made and agreed.</p>

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p>Going concern disclosures (higher inherent risk)</p> <p>Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources.</p> <p>There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. This results in significant judgement to conclude whether events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Council's ability to continue as a going concern. This judgement will determine the appropriate disclosures to be made in the financial statements, which will be reflected in the audit report.</p>	<p>In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of future government support, we sought a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.</p> <p>We reviewed the going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We considered whether the necessary disclosures had been included regarding any material uncertainties that do exist.</p> <p>We considered whether these disclosures also included details of the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).</p> <p>Our audit procedures to review these included consideration of:</p> <ul style="list-style-type: none">▶ Current and developing environment;▶ Liquidity (operational and funding);▶ Mitigating factors;▶ Management information and forecasting;▶ Sensitivities and stress testing; and▶ Challenge of management's assessment, by thorough testing of the supporting evidence and consideration of the risk of management bias. <p>We have reviewed the disclosures and supporting assessment, and the final updated cash flow covering the forecast period to March 2024, and we have gone through our professional consultation process to confirm whether or not we intend to issue an EOM. We are satisfied that the accounts are produced correctly on a going concern process and there is no need for an emphasis of matter due to Covid-19.</p>

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p>Valuation of Pension Fund Assets and Liabilities (higher inherent risk)</p> <p>The Local Council Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.</p> <p>The Council's pension fund is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £48.6 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to Hampshire County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none">▶ Liaised with the auditors of Hampshire County Council, to obtain assurances over the information supplied to the actuary in relation to Rushmoor Borough Council;▶ Assessed the work of the pension fund actuary (AoN Hewitt) including the assumptions they have used; and▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p><u>There were 2 unadjusted mis-statements:</u></p> <ol style="list-style-type: none">1) Pension liability difference of £0.48 million arising from the reconciliation of planned assets used by the actuaries with the audited assets of the pension fund as at 31 March 2020;2) Pension liability arising from the Goodwin case. The assessed value of the difference was £0.292 million. The Council have not adjusted for this judgmental difference based on the value and also the fact of the uncertainty in respect of future liabilities. <p>No other issues were identified.</p>

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>For the main accounts, we determined planning materiality to be £1,512k, which is 2% of gross expenditure reported in the accounts of £75,600k.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £75.6k.</p>

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

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: Disclosure is numerically and politically sensitive. Therefore, the general materiality level is not felt to be appropriate. Errors in the note would be considered material. Where figures are in bandings, it is considered that a materiality of £1k as this is the rounding point in the accounts
- ▶ Related party transactions. Disclosure is numerically and politically sensitive. As the note is split between Organisations and Individuals and the accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction, we will set materiality for the Organisational element at the same level as the audit and the individuals element is to be considered on a case by case basis.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

Value for Money



Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

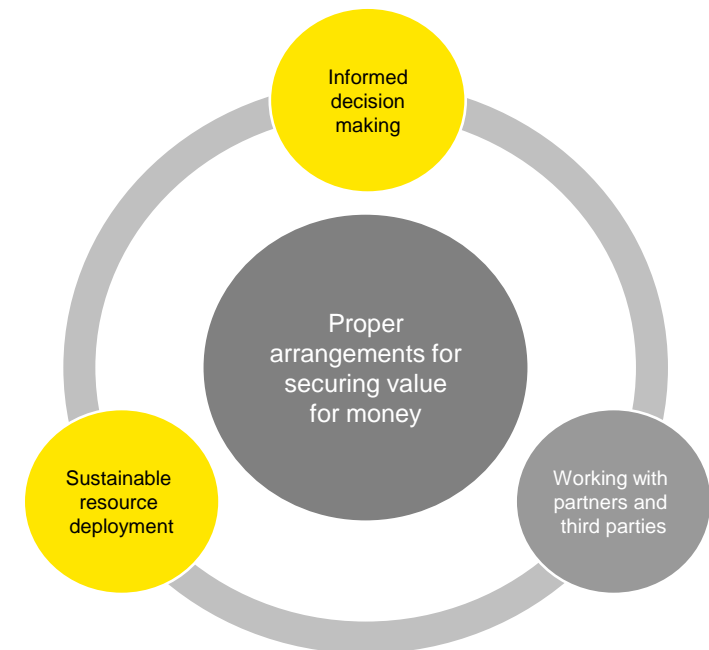
Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

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

We identified a significant risk in relation to these arrangements. The table below presents the findings of our work in response to the risk identified and any other significant weaknesses or issues to bring to your attention.

We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We did however raise some recommendations.



Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 31 March 2023.

Significant Risk	Conclusion
Effectiveness of the Council's Governance and Risk Management Framework	<p>We carried out local risk-based work to form a view on the adequacy of the Authority's arrangements for Informed Decision Making - specifically around the effectiveness of the council's governance and risk management framework</p> <p>During our 2018/19 audit, we identified issues with Council's formal risk management framework, which resulted in further examination of the arrangements in place. As a result, we issued an "except for" qualified value for money conclusion in relation to formal risk management arrangements. We reviewed whether risk management was better embedded, during 2019/20, with corporate risks being aligned to the delivery of the Council's strategic objectives in the Council Delivery Plan and whether the management of these risks was reported to members appropriately. Adequate risk management is required for members and officers to take informed decisions. We reviewed the effectiveness of the Council's Risk Management Framework and how this may be further improved.</p> <p>Adequacy of the Council's risk management arrangements</p> <p>The Council's Risk Management arrangements are adequate. The Council's Corporate Leadership Team and its Corporate Risk Management Group both review the Council's Corporate Risk Register which has "Additional Mitigation Planned - including Timelines/Deadlines" and a residual risk score for each risk. Whilst there has been improvements in the Council's Governance and Risk Management Framework, during 2019/20, we suggest that risk management can be further embedded in the day to day business and reporting of the Council;</p> <p>We recommend that the Council considers the following suggestions:</p> <p>1) The risks to the delivery of the Council's strategic objectives, in the Council's Business Plan 2020 to 2023, should be recorded on the Corporate Risk Register on a strategic objective by objective basis, rather than on a thematic basis; for example, the following high corporate risks such as Equalities - Breach of Statutory Duties, Increased Focus on Recycling improvements from Central Government, Retail Sector general downturn, Restrictions on PWLB borrowing. These themes should be incorporated into the Council's business planning process.</p>

Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 31 March 2023.

Significant Risk	Conclusion
Effectiveness of the Council's Governance and Risk Management Framework	<p>We suggest the Council considers the following suggestions (cont'd):</p> <p>2) The Corporate Risk Register and underpinning service risk registers should also be aligned to these strategic objectives, which will allow for a golden thread enabling the Council's risk management issues and resulting actions to be integrated into the Council's Performance Management Framework. This will give the Council a holistic view of the effectiveness of service delivery and better reflect a more mature risk model, such as the Enterprise Risk Management approach.</p> <p>3) The Corporate Governance, Audit and Standards Committee should consider providing overall assurance to the Cabinet over the effectiveness of the Risk Management Framework arrangements. The Committee should receive an annual report on the adequacy of the Council's risk management, before the end of the financial year, as evidence underpinning the disclosures on the effectiveness of risk management in the Council's Annual Governance Statement.</p> <p>Disclosures in the Council's 2019/20 Annual Governance Statement on the effectiveness of the Council's Governance and Risk Management Framework</p> <p>The disclosures in the 2019/20 AGS could be improved so that the AGS better describes the effectiveness of the Council's governance arrangements in year, any significant weaknesses and action plans for the resolution of prior year issues and issues going forward. The Council could better disclose how the Council's risk management framework enables the Council to achieve its strategic objectives and addressing areas for improvement.</p>

A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at documents on the table. Other people's hands and arms are visible, some pointing at the papers. The scene is brightly lit, suggesting a modern office environment.

Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council is below the specified audit threshold of £500mn. Therefore, we were not required to perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

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

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

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Other Reporting Issues (cont'd)

Objections Received

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

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 08 March 2022. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

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

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.

During our audit we identified the following which we will raise recommendations for improvement on:

- 1. Provision of property information:** We have reported on the critical delays in the provision of property information to support the material PPE and IP valuations in the Council's Balance Sheet. This included a lack of management challenge of key assumptions and we would highly recommend that management ensure that this challenge is factored into 2020/21 and future years
- 2. Capacity of the finance department:** Our audit team has been working on the fieldwork for the audit of the Council's 2019/20 financial statements since 28 September 2020. Whilst there were some delays due to officer work pressures e.g, the audit was also delayed in January 2021 and 2022 as officers needed to prioritise the production of the 2021/22 accounts, some of the information promised to us has failed on a number of occasions to meet agreed timelines
- 3. Declarations of interest:** We note that the Declaration of Interest Form was not returned by one of the members and we will not be able to conclude on that

Other Reporting Issues (cont'd)

In addition we raised the following specific recommendations:

Books and Records – Property, Plant and Equipment & Investment Properties (High)

The availability of basic asset information was a critical factor in the delay of the signing of the 2018/19 audit opinion. Throughout the audit we have identified numerous instances where the Council has struggled to provide upon request the information supporting an asset valuation on the Balance Sheet.

Lease documentation provided has often been found to be out of date or not readily available;

Rent Review Memoranda provided has often been found to be out of date and/or not signed as approved; and

Land Registry deeds supporting title and ownership has been difficult to obtain and in a number of instances is still outstanding which is delaying the completion of our work.

Discussions with senior officers have re-iterated the importance of the maintenance of proper books and records.

Recommendation: The Council should ensure appropriate documentation is retained and accessible in relation to property plant and equipment and investment properties held.

Policies and procedures (Moderate)

We have found that key policies and procedures appear to be out of date (year in brackets) for example:

Whistleblowing Policy (June 2016);

Financial Procedure Rules (December 2006);

Antifraud and Corruption Policy (June 2016);

Officer Code of Conduct (February 2015);

Councillor Code of Conduct (October 2014);

Contract Stander Orders (April 2015) .

The Council needs to ensure that its corporate polices on key governance topics, including business planning, anti-fraud, information security, equalities and diversity, health and safety and whistle blowing are complete and up to date.

Recommendation: The Council should have a central list of policies and procedures with a current date and due date for review. This should be regularly reviewed by senior management and capacity built in so these are kept up to date. Management should consider how the current situation, its impact and planned actions is reflected in the Corporate Risk Register.

Other Reporting Issues (cont'd)

Officer capacity (Moderate)

The audit has been delayed due to the capacity of officers to respond to audit queries on a timely basis. In some instances this is due to the timing of the audit coinciding with other key finance duties e.g. budget setting, but on the majority of occasions, whilst we have agreed timelines with officers for information in our weekly meetings, the information has not been provided and the delivery has continued to slip. If we are to get the Council back on track with the audit timeline we need to be able to rely on the agreed timelines.

Recommendation: The Council should ensure that there is appropriate capacity to respond to audit queries and deliver the required information to agreed timelines.

Declarations of interest (Moderate)

The Declaration of Interest Form was not returned by one of the members and therefore we were not able to conclude on that.

Recommendation: All Declaration of interest forms should be collected for all Members and key Officers and retained to ensure this control is in place and working and provide evidence of this.

Section 6

Focused on your future



Focused on your future

The Code of Practice on Local Council Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local Council accounts from the 2022/23 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2022/23 Accounting Code of Practice for Local Authorities has yet to be updated, CIPFA have issued some limited provisional information which begins to clarify what the impact on local Council accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2022/23 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

A close-up photograph of a person's hand placing a document into a grey filing folder. The folder is part of a row of similar folders on a shelf. Each folder has a colored oval tab (blue, white, or orange) at the bottom. The folders are filled with various documents, some of which are visible and show tables and text. A large, bright yellow rectangular overlay covers the left side of the image, containing the section title.

Section 7

Audit Fees

Audit Fees

Our fee for 2019/20 is in line with the scale fee set by the PSAA and reported in our November 2020 Audit Results Report.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee - Code work	TBC**	66,466*	38,375	105,702

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

*Note 1 - The proposed increase reflects the increased risk and complexity facing all public sector bodies, adjusted for our knowledge and risk assessment for this Authority as well as the changes and incremental increase in regulatory standards. The proposed increase in the baseline fee is relatively consistent with other councils of a similar size, risk profile and complexity that EY audits.

*Note 2 - The impact of Covid-19 on the audit, the updated requirements on VfM conclusion, use of experts for the work on valuation of PPE and the work on going concern will all impact the work that is required to be done. We have discussed a proposed additional fee with officers which is currently under review by PSAA. Once approved we will then be in a position to discuss this with the Committee.

Final fees for 2019/20 are subject to PSAA review.

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