



Chichester District  
Council  
Audit results report  
Year ended 31 March 2021

June 2022



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Chichester District Council  
East Pallant House  
Chichester  
West Sussex PO19 1TY

04 May 2022

Dear Corporate Governance and Audit Committee Members

March 2021 Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Corporate Governance and Audit Committee. This report summarises our audit conclusion in relation to the audit of Chichester District Council for 2020/21.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Chichester District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Corporate Governance and Audit Committee, other members of the Authority and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 06 June 2022.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents



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

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

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



# 01 Executive Summary

# Executive Summary

## Scope update

In our audit planning report presented at the July 2021 Corporate Governance and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality:** In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.538m. We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure, we have updated our overall materiality assessment to £1.498m. This results in updated performance materiality, at 75% of overall materiality, of £1.124m, and an updated threshold for reporting misstatements of £75k.
- **Additional use of EY Pensions Specialist for IAS 19:** The new ISA540 requires us to evidence that the Actuary's model works correctly and that the data has been input correctly into the model. We were unable to establish that from the information provided by the actuary, and without detailed access to their model. In order to satisfy these requirements, we engaged EY Pensions Consulting to produce their own model in which they were able to enter data points from the IAS 19 information in order to recalculate their own estimate of the IAS 19 figures.
- **Information Produced by the Entity (IPE):** 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 Authority's systems. We undertook the following to address this risk:
  - Used the screen sharing function of Microsoft Teams to evidence re-running
  - Agree IPE to scanned documents or other system screenshots

# Executive Summary

## Status of the audit

Our audit work in respect of Chichester District Council's opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Completion of subsequent events review
- Receipt of the signed management representation letter
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

## Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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

# Executive Summary

## Status of the audit – Value for Money

In the Audit Plan, we reported that we were yet to finalise our value for money (VFM) risk assessment. We have now completed this work and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary within 3 months of issuing our opinion on the accounts, as part of issuing the Auditor's Annual Report.

## Audit differences

Adjusted:

- Our audit identified a material error of £3,166k in the Debtors balance whereby the balance was overstated due to an interfacing issue between Exacom and CIVICA.

Unadjusted:

- We identified a projected misstatement of £138k from inappropriately capitalised revenue expenditure.
  - We identified two judgemental differences, understating the pension asset by £733k, and the NDR appeals provision by £243k
  - We identified one factual misstatement in relation to PPE valuations where a portion of the annual income received was double counted
  - We also identified a number of disclosure errors.
- 
- Our procedures also identified a prior year adjustment regarding Future Minimum Lease Payments disclosed in Note 28 of the Accounts

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool and update the guidance that is available for preparers. Based on the last available update HM Treasury have not provided a timetable for the opening of Data Collection Tool. Consequently, there is no expected deadline for audit returns. HM treasury have however indicated that this deadline will not be before 31<sup>st</sup> July 2022.

We will report any matters arising to the Corporate Governance and Audit Committee, and certify the completion of the audit after these procedures are completed.

We have no other matters to report.

### Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial statements of Chichester District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Audit findings and conclusions: Misstatements due to fraud or error

- We have no findings to report to the Corporate Governance and Audit Committee

Audit findings and conclusions: Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

- A projected misstatement of £138k has been identified in relation to PPE Additions whereby an expenditure item was capitalised and did not meet the requirements for capitalisation. Further details on this can be found in section 4.

Audit findings and conclusions: Valuation of Land & Buildings and Investment Property

- One factual misstatement of £150k identified in relation to one asset whereby a portion of the annual income received was double counted

Audit findings and conclusions: Pension Asset/Liability Valuation

- We identified a judgement difference of £733k between the actuarial values and amount estimated from the Council's share of the final audited pension fund assets
- We have engaged our specialists EY Pensions to assist in our conclusions over the completeness and accuracy of the model used by the actuaries in determining the obligation attributable to the Authority, in order to satisfy the requirements of the revised ISA.

Audit findings and conclusions: Accounting for Covid-19 related grant funding

- A disclosure error identified from this work which relates to Note 21 Agency Services - receipt received in year is overstated by £281k

Audit findings and conclusions: Going Concern

- Going Concern disclosure agreed with management and has been updated in the final Accounts
- We have no other findings to report to the Corporate Governance and Audit Committee

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Corporate Governance and Committee or Management.





# Executive Summary

## Control observations

During the audit, we identified the following deficiencies in internal control:

- A prior year adjustment was identified in relation to the Fair Value of Minimum Lease Payments disclosed in Note 28 of the Accounts. The error originates from a formula error identified in the Authority's working paper where the wrong dates had been inputted for the number of days remaining. This resulted in a total prior year adjustment of £2.967 to Note 28 of the Accounts. We concluded that this was a control deficiency in relation to management review of working papers.
- Heritage Assets - we have noted that management rely on information provided from 2 museums in relation to their Heritage Assets. It was identified in the current year that some assets had been missed off the asset register in relation to Heritage Assets. The amount noted was not material and does not require an adjustment in the Accounts. However, management should review this process to ensure that the information they are receiving and putting into their Accounts is complete and accurate.

## Independence

Please refer to Section 9 for our update on Independence. We have no matters to bring to your attention



## 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

##### What judgements are we focused on?

We focused on the following:

- Understanding the risks of fraud and the controls put in place to address those risks by management and how the Corporate Governance and Audit Committee oversees management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.

##### What did we do?

- Wrote to the s151 officer, Chair of the Corporate Governance and Audit Committee and the Internal Audit and Corporate Investigations Manager in this regard and reviewed their responses;
- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for any significant unusual transactions.

##### What are our conclusions?

Based on the work completed:

- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied, or of any management bias.
- We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.
- We did not identify any inappropriate journal entries



# Areas of Audit Focus

## Significant risk

### Inappropriate capitalisation of revenue expenditure

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing. The manipulation of capitalising expenditure could occur through management override of controls.

#### What judgements are we focused on?

We focused on the following:

- Understanding the controls relevant to this significant risk;
- For significant capital additions and revenue expenditure funded from capital under statute (REFCUS) we examined invoices, capital expenditure authorisations, leases and other data that support these additions and expenditure. We reviewed the sample selected against the definition of capital expenditure in IAS 16; and
- Whether management were inappropriately processing journals that transferred amounts from revenue to capital.

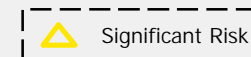
#### What did we do?

- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Amended our sample sizes when testing Property, Plant and Equipment (PPE) additions and REFCUS to reflect the existence of this risk.
- Agreed samples to source documentation to ensure that any capital/revenue split was reasonable; and
- Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes.

#### What are our conclusions?

Based on the work completed:

- One error was identified in our sample for testing, whereby an item had been capitalised but did not meet the requirement for capitalisation.
- This item formed part of our representative sample and therefore had to be extrapolated over the representative population.
- This resulted in a projected overstatement of PPE of £138k.





## Areas of Audit Focus

# Valuations of Land and Buildings and Investment Property



Further details on procedures/work performed

### What is the risk/area of focus?

#### Valuation of Land and Buildings

Land and buildings is one of the most significant balances in the CDC's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

The fair value of Investment Properties and PPE represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

### What did we do?

We have:

- Considered the competence, capability and objectivity of the organisation's valuer;
- Considered the scope of the valuer's work;
- Ensured L&B assets have been revalued within a 5 year rolling programme as required by the Code;
- Considered if there are any specific changes to assets that should have been communicated to the valuer;
- Sample tested key inputs used by the valuer when producing valuations;
- Considered the results of the valuer's work;
- Challenged the assumptions used by the valuer by reference to external evidence;
- Tested journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- Tested a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- Reviewed assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated.

Conclusion:

One factual error identified in our testing in relation to one asset where a portion of the annual income received was double counted. This has resulted in a £149,528 overstatement of the asset valuation.



## Areas of Audit Focus

# Pension Asset/Liability Valuation



Further details on procedures/work performed

### What is the risk/area of focus?

The Local Authority 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 West Sussex County Council.

The Council's pension fund asset or liability is a material estimated balance and the Code requires that this be disclosed on the Council's balance sheet. At 31 March 2021 the Council had a net pension asset of £20.4m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. 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.

### What did we do?

We have:

- Liaised with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Chichester District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

One issue has arisen across all local government audits during the 20/21 audits. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. This did not highlight any issues.

Conclusion:

We have identified a non-material difference of £733k on the gross pension asset, arising from differences between the actuaries values and amount estimated from the Council's share of the final audited pension fund assets.

No other findings to report to the Corporate Governance and Audit Committee.



# Areas of Audit Focus

## Accounting for Covid 19 Related Grant Funding



Further details on procedures/work performed

### What is the risk/area of focus?

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

### What did we do?

We have:

- Considered the Council’s judgement on material grants received in relation to whether it is acting as:
  - Agent, where it has determined that it is acting as an intermediary; or
  - Principal, where the Council has determined that it is acting on its own behalf.

For grants received where the Council acted as principal, we have further considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.

Conclusion:

One disclosure error noted arising from work performed on this area. This error does not impact either the Balance Sheet or the CIES however this does impact Note 21 Agency Services as the receipt received in year is overstated by £281k.



# Areas of Audit Focus

## Going Concern



Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
<p>There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.</p> <p>The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.</p> <p>In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Challenged management’s identification of events or conditions impacting going concern.</li> <li>• Tested management’s resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).</li> <li>• Reviewed the Council’s cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.</li> <li>• Undertaken a ‘stand back’ review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.</li> <li>• Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.</li> </ul> <p>Conclusion: No issues to report to the Corporate Governance and Audit Committee</p>





# 03 Audit Report



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHICHESTER DISTRICT COUNCIL

##### Opinion

We have audited the financial statements of Chichester District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 30.
- Collection Fund and the related notes 1 to 4

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Chichester District Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authority's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to 31 March 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the



# Audit Report

## Draft audit report

### Our opinion on the financial statements

the authority's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Corporate Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

### Responsibility of the Director of Corporate Services

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local



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### Our opinion on the financial statements

Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
  
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
  
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.



# Audit Report

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In addition, the authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, general power of competence, procurement and health & safety.

We understood how Chichester District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the authority's committee minutes, through enquiry of employees to confirm authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation

of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Chichester District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Chichester District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.



# Audit Report

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### Our opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Chichester District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

### Use of our report

This report is made solely to the members of Chichester District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



# 04

## Audit Differences

# Audit Differences

## Summary of differences

We have highlighted below (and on the following page) the following misstatements to the financial statements and disclosures which have been agreed with management. Please note that these are currently uncorrected as at the time of writing this report as we have not received updated Accounts. We have noted below those we expect to be adjusted.

Misstatements 31 March 2021	Effect on the current period:	Balance Sheet (Decrease)/Increase				
		Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	Equity components Debit/(Credit)
UNADJUSTED	£'000	£'000	£'000	£'000	£'000	£'000
Projected Misstatements:						
• Incorrect Capitalisation of PPE Additions	138		(138)			
Judgemental Misstatements:						
• Valuation of Pension Fund Asset			733			(733)
• NNDR Appeals Provision	243			(243)		
Factual Misstatements:						
• Valuation of PPE			(150)			150
Totals	381		445	(243)		(583)
ADJUSTED						
• CIL Income / Debtor Correction due to interfacing issue between Exacom (CIL Monitoring System) and CIVICA (General Ledger) *	3,166	(3,166)				
Totals	3,166	(3,166)				

\* Due to this error being material, management have adjusted for this in the Final Accounts





# Audit Differences

## Summary of differences

We highlight the following material disclosure errors which have been agreed with management and adjusted for in the final accounts:

- Note 28 - Council as Lessor - Operating Leases:
  - Miscalculation of future value of minimum lease payments due to incorrect dates used
  - Number of misstatements in the disclosure re. duplications and other errors
  - Disclosure to change from £109,648k to £108,848k (see also Prior Year Adjustment section below)

There were a number of smaller disclosure errors identified throughout the audit that have been agreed with management and adjusted for in the final accounts in relation to:

- Note 11 PPE, Note 27 CFR , Note 24 External Audit Fees, Note 25 Grant Income, Note 21 Agency Services and Collection Fund

There are two immaterial disclosure errors that remain unadjusted in the final accounts:

- Collection Fund - Movement in the NNDR Appeals as per the main Collection Fund statement to be changed from £730k to £1,337k
- Note 11 PPE - Error identified in PPE Existence whereby a finance lease was still included in the asset register that ended in January 2021 (Multi Functional Devices). GBV and Accumulated Depreciation overstated by £146,192

## Prior Year Adjustment

Prior year adjustment identified in relation to Future Minimum Lease Payments disclosed in Note 28 of the Accounts. The error originates from a formula error identified in the client's working paper where the client had input the wrong dates for the number of days remaining. This has resulted in a difference of £2,967,022 in total (see below)

	Pre-adjustment	Post-adjustment	Difference
Not later than one year	£3,271,522	£3,103,776	-£167,746
Later than one year and not later than five years	£11,383,724	£10,548,024	-£835,700
Later than five years	£99,863,356	£97,899,780	-£1,963,576
Total	£114,518,602	£111,551,580	-£2,967,022



# 05 Value for Money



# Value for money

## Chichester District Council's responsibilities for value for money (VFM)

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

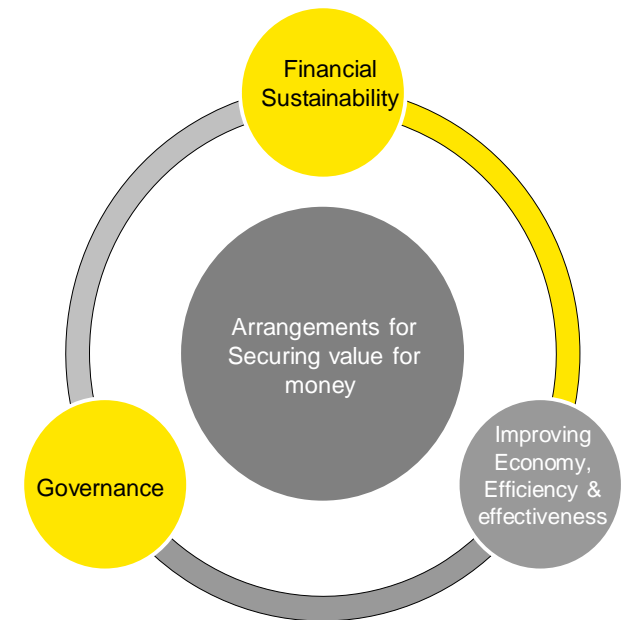
## Risk assessment

Throughout the audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements. No significant risks were identified throughout the risk assessment stage.

## Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary within 3 months of giving our opinion on the accounts, as part of issuing the Auditor's Annual Report.





## 06 Other reporting issues

## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool and update the guidance that is available for preparers. Based on the last available update HM Treasury have not provided a timetable for the opening of Data Collection Tool. Consequently, there is no expected deadline for audit returns. HM treasury have however indicated that this deadline will not be before 31<sup>st</sup> July 2022.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

# Other reporting issues

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Consideration of laws and regulations; and
- Group audits

We have no significant findings to communicate.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. 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 the audit, we identified the following deficiencies in internal control:

- A prior year adjustment was identified in relation to the Fair Value of Minimum Lease Payments disclosed in Note 28 of the Accounts. The error originates from a formula error identified in the Authority's working paper where the wrong dates had been inputted for the number of days remaining. This resulted in a total prior year adjustment of £2.967 to Note 28 of the Accounts. We concluded that this was a control deficiency in relation to management review of working papers.
- Heritage Assets - we have noted that management rely on information provided from 2 museums in relation to their Heritage Assets. It was identified in the current year that some assets had been missed off the asset register in relation to Heritage Assets. The amount noted was not material and does not require an adjustment in the Accounts. However, management should review this process to ensure that the information they are receiving and putting into their Accounts is complete and accurate.





08

Independence

## Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated July 2021.

We complied with the APB Ethical Standards. 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 of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Standards & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards & Governance Committee on 14 March 2022.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2021.

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Total Fee	37,799	37,799
Proposed scale fee rebasing (Note 1)	29,880	21,107
Scale fee variation (Note 2)	3,467	
Scale fee variation (Note 3)	8,587	
<b>Total audit</b>	<b>79,733*</b>	<b>58,906</b>

\* this is our proposed figure that is to be submitted to the PSAA

2020/21 Fees:

Note 1: Proposed Scale Fee Rebasing: this relates to our scale fee rebasing for the audit, to take into account changes in professional and regulatory requirements to that date. These have been raised in prior year audits and as these are ongoing requirements, we have included the resource impact again in our 2020/21 requested fees. This is the same request that has been submitted in the prior year and has been adjusted for the changes in rates.

Note 2: This figure also includes a variation to the scale fee for items specific to the audit year where we will be submitting a request for an additional fee due to additional work being undertaken by the audit team. For 2020/21 it includes work undertaken on:

- Prior period adjustment (page 25)
- Accounting for Covid-19 grants (page 15)
- Work of EY expert to calculate an auditors estimate of the pension liability (page 14)

For 2019/20, PSAA determined the total of the above two categories at £21,107 and therefore we have shown the figure together in the table to the left.

Note 3: New for 2021/22 are the impacts of the NAO's 2020 Code of Audit Practice, and the revised ISA540 on estimates. PSAA communicated fee ranges for each type of client, and our assessed impact for Chichester DC is at the bottom of those ranges.

At the time of writing this report we have not discussed these fees with management. We will therefore discuss with management and provide an update to the Corporate Governance and Audit Committee.

## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work.

## Other communications

### EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)






# 09 Appendices




## Appendix A

# Required communications with the Corporate Governance and Audit Committee





There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Corporate Governance and Audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	July 2021 Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	July 2021 Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	June 2022 Audit results report

# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>	June 2022 Audit Results Report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	June 2022 Audit Results Report
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	June 2022 Audit Results Report

# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Corporate Governance and Audit Committee responsibility.</li> </ul>	June 2022 Audit Results Report
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	June 2022 Audit Results Report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	July 2021 Audit Planning Report and June 2022 Audit Results Report






# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	June 2022 Audit Results Report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	June 2022 Audit Results Report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	June 2022 Audit Results Report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	June 2022 Audit Results Report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	June 2022 Audit Results Report
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	June 2022 Audit Results Report

## Appendix B

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Management representation letter	Receipt of signed management representation letter	Management and CG & A committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
WGA	Receipt of Instruction in relation to WGA and performance of procedures.	NAO

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 3.

# Management representation letter

## Management Representation Letter – to be finalised on completion of all outstanding audit procedures

Ernst & Young LLP

Grosvenor House,  
Grosvenor Square,  
Southampton SO15 2BE,

This letter of representations is provided in connection with your audit of the financial statements of Chichester District Council for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Chichester District Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations and cash

flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21]. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
  4. As members of management of the authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls
  5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because *[Management to specify reasons for not correcting misstatements]*
- ### B. Non-compliance with law and regulations, including fraud
1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
  2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
  3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

# Management representation letter

## Management Rep Letter

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

#### 1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

#### 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

#### 3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 17<sup>th</sup> May 2022.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter (26 November 2020) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

# Management representation letter

## Management Rep Letter

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 20 to the financial statements all guarantees that we have given to third parties.

### E. Going Concern

1. Note 1.2 to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than described in Note 8 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and the IAS19 pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### I. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings, valuation of investment property and IAS19 pensions liability (the accounting estimates) have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out any specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

# Management representation letter

## Management Rep Letter

### I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I confirm that this letter has been discussed and agreed by the Corporate Governance & Audit Committee.

Signed:

Position: Director of Corporate Services

Date:

Signed:

Position: Chairman of the Corporate Governance and Audit Committee

Date:

EY | Assurance | Tax | Transactions | Advisory

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ED None

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