



Chichester District
Council
Audit results report
Year ended 31 March 2022

July 2023



EY

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

19 June 2023

Dear Corporate Governance and Audit Committee Members

March 2022 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 2021/22.

The audit is designed to express an opinion on the 2021/22 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 Corporate Governance and Audit Committee meeting on 17 July 2023.

Yours faithfully

Kevin Suter

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 October 2022 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:

- Additional work performed on Pensions/IAS 19: We note that throughout the audit additional information has come to light in relation to the Triennial Valuation for West Sussex Pension Fund. We have had to perform additional procedures over the Valuation and engage with specialists to ensure the updated balances are reasonable. This additional work has involved testing membership data at the pension fund level, re-running the IAS 19 results report from the actuary and using EY pension specialists to evaluate the reasonableness of the Pension Fund actuary's gross liability calculations by comparing them to the outputs of our own auditor's actuarial model.

Status of the audit

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

- PPE and Investment Property Valuations
- Journals testing
- Small number of queries/documentation points on Trade Payables, S106 Creditors and Expenditure
- Receipt of the signed management representation letter (to be sent to management when audit is completed)
- 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.

Executive Summary

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.

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 will revisit our assessment on completion of the audit of the financial statements and to ensure that there are no additional risks 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.

Executive Summary

Audit differences

Throughout the audit we have identified misstatements that have been discussed with management. Some of these have been adjusted for in the updated Statement of Accounts (see below). We also note that there have been a number suggested amends to disclosures.

Details can be found in Section 4; Audit Differences.

Adjusted

Factual:

- £135k classification misstatement of Investment Property Expenditure
- £1,585k overstatement in the recording of Debtors and Creditors in relation to Council Tax balances (identified by management)
- £180k misstatement in Creditors where a grant had been treated as Received in Advance but should have been recognised immediately
- £294k misstatement in Debtors and Creditors in relation to the recording of the year end HB subsidy (identified by management)

Unadjusted

Factual:

- £115k incorrect movement of admin costs in relation to DFG from REFCUS to Other Service Costs
- £886k overstatement of S106 Creditors (Note 1)

Projected:

- £281k understatement of bad debt provision
- £275k overstatement of S106 Creditors (Note 1)

Judgemental:

- £296k understatement of Pension Asset (we note that this relates to the original Pensions work and is therefore likely to change)
- £369k understatement of NNDR Appeals Provision

Note 1 - we note that our work on S106 Creditors is still to be finalised, including agreeing the value of the misstatement with management

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 work will be performed on completion of the audit.

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.



Executive Summary

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

- At the time of writing this report, the journals work in relation to this is outstanding. A sample of journals has been selected throughout the audit. EY need to review these journals and obtain evidence as required.
- We currently 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

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

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

- At the time of writing this report, the work in relation to this is outstanding. We have received responses to our initial queries from management. EY need to review the responses and follow up with management as necessary.
- We currently have no findings to report to the Corporate Governance and Audit Committee.

Audit findings and conclusions: Pension Asset/Liability Valuation

- Within our original work on Pensions an understatement of the Pensions Asset was identified of £296k. We note however that due to the updated information available for the 2022 triennial valuation additional work is being performed on IAS 19.

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 did not identify deficiencies in the internal control environment.

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?

This area is still outstanding at the time of writing the report.

Throughout the audit, we have selected a sample of journals to be tested. EY need to review these journals and obtain evidence as required.

At the time of writing this report we have not identified:

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

We have not identified any instances of inappropriate capitalisation, however, we have identified that £115k of admin costs re. DFG had been incorrectly posted to Other Services expenditure instead of REFCUS i.e. REFCUS has been understated by £115k.





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?	What did we do?
<p><u>Valuation of Land and Buildings and Investment Property</u></p> <p>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.</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> • 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 2021/22 to confirm the remaining asset base is not materially misstated. <p>Conclusion:</p> <p>At the time of writing this report this work is still ongoing. For assets that have been revalued in year, we have reviewed the Valuer's work and have selected a sample of assets for testing. We have queried these with management and have received responses to our initial queries. EY need to review these responses and follow up with management as necessary.</p> <p>For the assets that have not been subject to valuation in 2021/22, we have performed a review of these to ensure they are not materially misstated. This review has not identified any issues.</p>



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.

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
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model

Impacting all unsigned audits as at 31 March 2023, we need to consider the potential impacting of the triennial valuation of the pension fund. The updated valuation has meant that Authorities have had to re-run their IAS 19 reporting and update the figures in the balance sheet to reflect the new Valuation. As per the draft financial statements, Chichester District Council had a net pension asset of £26.4m. The updated amount is £21.5m.

Due to the material movements in these figures, we have had to perform additional procedures. This work includes additional membership testing (being completed at a Fund level), obtaining updated assurances from PWC as the consulting actuaries and re-running the comparisons to our own actuarial model. At the time of writing this report, this additional work is still ongoing.

In addition to the above we have had to perform additional work over the Pension Asset Ceiling.



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 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Chichester District Council as at 31 March 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 September 2024 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 2022.

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 17, 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



Audit Report

Draft audit report

Our opinion on the financial statements

Authority Accounting in the United Kingdom 2021/2 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), 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

Draft audit report

Our opinion on the financial statements

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 the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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 December 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 2022.



Audit Report

Draft audit report

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 (as amended) 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 issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

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 (as amended) 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 we have received updated Accounts from management but at the time of writing this report have not reviewed these in detail. We have indicated below the misstatements we believe have been adjusted. Please note that the final position may change as we conclude the audit.

Misstatements 31 March 2022	Effect on the current period:	Balance Sheet (Decrease)/Increase				Equity components Debit/(Credit)
		Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	
UNADJUSTED	£'000	£'000	£'000	£'000	£'000	£'000
Projected Misstatements:						
• Understatement of Bad Debt Provision	281			(281)		
• Overstatement of S106 Creditors (Note 1)					275	(275)
Judgemental Misstatements:						
• Valuation of Pension Fund Asset			296			(296)
• NNDR Appeals Provision	369			(369)		
Factual Misstatements:						
• Classification misstatement of Investment Property Expenditure between REFCUS and Other Expenditure	115					
	(115)					
• Overstatement of S106 Creditors (Note 1)					886	(886)
Turnaround (Note 2):						
• Uncorrected Turnaround - Incorrect capitalisation of PPE Addition	138		(138)			
Totals	788		158	(650)	1,161	1,457

Note 1 - We note that our work on S106 Creditors is still to be finalised, including agreeing the value of the misstatement with management

Note 2 - We are required to consider how any prior period misstatement may affect the evaluation of the current period's financial statements. This is called the "Turnaround effect".



Audit Differences

Misstatements 31 March 2022	Effect on the current period:	Balance Sheet (Decrease)/Increase				Equity components Debit/(Credit)
		Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	
ADJUSTED						
• Overstatement in the recording of Debtors and Creditors in relation to Council Tax balances			(1,585)		1,585	
• Classification misstatement of Investment Property Expenditure	136					
	(136)					
• Grant treated as received in advance but should have been recognised as income	(180)				180	
• Overstatement in the recording of Debtors and Creditors in relation to Housing Benefit Subsidy			(294)		294	
Totals	(180)		(1,879)		2,059	

Summary of differences

In addition to the above, we have also identified some minor disclosure errors



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.

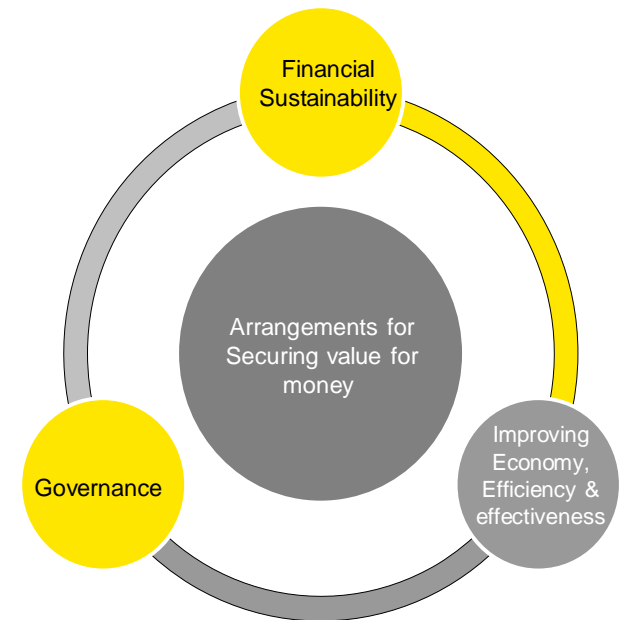
Risk assessment

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

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 2021/22 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 2021/22 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.

At the time of writing this report 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 work will be performed on completion of the audit.

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 did not identify any deficiencies in the internal control environment.



08

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and 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 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, we have provided services as a reporting accountant for the Department of Work and Pensions Housing Benefit Assurance Process (HBAP) in respect of the subsidy claim to 31 March 2022.

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Proposed Fee 2021/22 (subject to PSAA approval)	Note	Final Fee 2020/21
	£		£
Scale Fee	37,799		37,799
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk	29,880	1	15,703
Scale fee variation	605	2	3,467
Scale fee variation - new auditing standard and Value for Money requirements	8,587	3	8,587
Scale fee variation - triennial pensions and asset ceiling	TBC	4	0
Total audit	TBC		65,556
Non-audit fees (HBAP) (Note 5)	11,320	5	48,320
Total fees	TBC		113,876

Notes:

- For 2020/21, and previous years, we submitted a proposed rebasing of the scale fee to reflect changes in work required to address professional and regulatory requirements and scope associated with risk. The value was £29,880. PSAA have determined the value for 2020/21 as shown. We note that the planned fee for this is in line with the original submission.
- The 2020/21 Code work includes an additional fee of £3,467, for additional work undertaken in relation to prior period misstatement, accounting for Covid Grants and EY Pensions internal specialist work on the Actuary's model. This additional fee has been determined by PSAA. For 2021/22, we have removed the fee in relation to the prior period misstatement and Covid Grants as these were specific to 2020/21.
- We have identified continuing requirements for 2021/22 that are not within the scale fee, being the impact of amended auditing standards for estimates, and the Code requirements for our VFM responsibilities. Additional work has been performed in these areas. The proposed 2021/22 fee provides an estimate based on what was submitted and determined by PSAA in 2020/21.
- As explained in Section 2 of this report, we have had to perform additional work over the Pension balance within the Accounts. This is due to an updated triennial valuation of the Pension Fund and additional work on the pension asset ceiling. This work is ongoing at the time of this report.
- Non-audit fees for HBAP are determined at the end of the engagement, depending on the level of errors and extended testing required in accordance with DWP's instructions. The planned fee for 2021/22 currently reflects only the baseline agreement, and is expected to increase as additional testing will be required based on the results of the 2020/21 work.

Other communications

EY Transparency Report 2022

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 1 July 2022:

[EY UK 2022 Transparency Report | EY UK](#)




A hand with a ring on the ring finger is reaching towards a row of folders. The folders are arranged on a shelf and contain stacks of papers. The background is a light-colored wall with a subtle pattern.

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.	October 2022 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.	October 2022 Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	July 2023 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"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	July 2023 Audit Results Report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	July 2023 Audit Results Report
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	July 2023 Audit Results Report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • 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"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Corporate Governance and Audit Committee responsibility. 	July 2023 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"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	July 2023 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"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	October 2022 Audit Planning Report and July 2023 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"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	July 2023 Audit Results Report
Consideration of laws and regulations	<ul style="list-style-type: none"> 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 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 	July 2023 Audit Results Report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	July 2023 Audit Results Report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	July 2023 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"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	July 2023 Audit Results Report
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	July 2023 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 
Property, Plant and Equipment and Investment Property Valuations	Initial queries have been responded to by management. EY need to review the responses and follow up with management as necessary.	EY and management
Documentational points on Short Term Creditors and Expenditure	EY to complete documentation on these areas. There may be minor queries arising when doing this.	EY and management
S106 Creditors	The work on this is substantially complete. Misstatements have been identified throughout this work and the final value of these still need to be agreed with management.	EY and management
Journals Testing	EY to review journals that have been selected for testing throughout the audit and send sample to management to obtain evidence as required	EY and management
Pensions	As discussed above in section 2 – additional work is required over the updated IAS 19 valuation and asset ceiling	EY and management
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	To complete WGA procedures on completion of the audit	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 2022. 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 2022 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 2021/22.

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 2021/22.
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 2021/22]. 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 2021/22, 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 and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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]*
 6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.
- ### 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 and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

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: [list date].

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 2021/22.
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 (06 June 2022) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered including the impact resulting from the commitments made by the Authority, and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us.

I. Ownership of Assets

Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Management representation letter

Management Rep Letter

K. 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 2021/22.
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.

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:

Appendix D

Implementation of IFRS 16 Leases

In previous reports to the Corporate Governance and Audit Committee we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 has been further delayed. However, officers should be acting now to assess the authority's leasing positions and secure the required information to ensure the authority will be fully compliant with the Code when implemented. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: <ul style="list-style-type: none"> Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The Authority needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> Whether to adopt a portfolio approach What low value threshold to set and agree with auditors Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the authority is lessee; and potentially for sub-leases, where the authority is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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ED None

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