

# Huntingdonshire District Council

## Audit Results Report Update

Year ended 31 March 2022

13 September 2023



13 September 2023

Corporate Governance Committee Members  
Huntingdonshire District Council  
Pathfinder House  
St Mary's Street  
Huntingdon  
PE29 3TN

Dear Corporate Governance Committee Members

### 2021/22 Audit Results Report

We are pleased to attach our Audit Results Report Update, summarising the completion of our audit for the forthcoming meeting of the Corporate Governance Committee.

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 Huntingdonshire 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. We have also included our findings in respect of our work on the Council's Value for Money arrangements.

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

Yours faithfully

*MARK HODGSON*

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Associate Partner  
For and on behalf of Ernst & Young LLP  
Encl

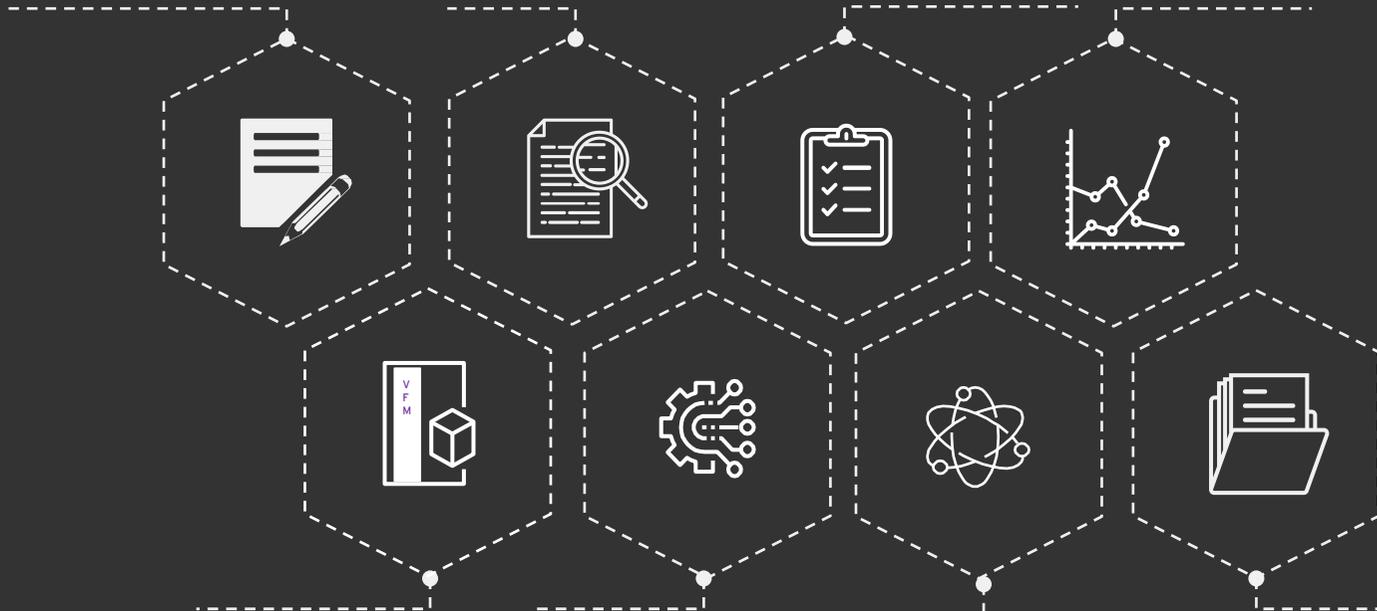
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 Committee and management of Huntingdonshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance Committee and management of Huntingdonshire 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 Committee and management of Huntingdonshire 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 Provisional Audit Plan, which was presented to the Governance & Audit Committee meeting on 9 August 2022, 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.

We revisited our materiality calculation and confirmed that the level of £1.93 million set at planning stage remained appropriate. Performance materiality also remained unchanged at £1.45 million.

We also identified during the course of the audit execution that there had been a change to the payroll system for the financial year, a change that we were not informed of by Management. Given the significance of transactions that flow through such a system and the quantum of costs that result within the financial statements, this gives rise to a significant audit risk. We need to perform sufficient appropriate audit procedures to address the system transition and ensure that staff related costs are not materially mis-stated within the financial statements.

## Status of the audit

Our audit work in respect of the Council's opinion is now complete. The addition of the significant risk pertaining to the new Payroll system (set out above) and the issues that we have identified in the Property, Plant & Equipment procedures led to additional work which previously delayed the completion of some areas of planned procedures within the planned audit window, as set out in the Audit Results Report that we presented to the Governance & Audit Committee meeting on 26 April 2023. Those issues have now been resolved. The following items relating to the completion of our audit conclusion procedures are the only areas of outstanding work at the date of this report.

### Closing procedures;

- Subsequent events review;
- Agreement of the final set of financial statements;
- Receipts of signed management representation letter

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

Subject to satisfactory completion of the outstanding items above and in Appendix B, we do not expect to modify our opinion. However, until our audit work is complete, further differences may arise.



## Executive Summary

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

Under the Code of Audit Practice 2020, we are required to consider whether the Council 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 Council a commentary against specified reporting criteria (see below) on the arrangements the Council 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 Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:**  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

### Status of the audit - Value for Money

We have completed our VFM risk assessment 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 plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

# Executive Summary

## Areas of audit focus

In our Provisional Audit Plan we identified a number of key areas of focus for our audit of the financial report of Huntingdonshire 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.

### *Management Override: Misstatements due to fraud or error*

- *We have completed our work in this area and have no matters to report.*

### *Management Override: Inappropriate capitalisation of revenue expenditure*

- *We have completed our testing over revenue expenditure funded by capital under statute, capital additions, and journal entries. We have no matters to report.*

### *Significant Risk: Account for Covid-19 related Government grants*

- *We have completed our testing over Covid-19 related government grants and have no matters to report.*

### *Significant Risk: Payroll System Implementation*

- *We have completed our testing over the implementation of the new payroll system and have no matters to report.*

### *Inherent Risk: Pensions valuations and disclosures*

- *We have completed our work in this area. The Council received a revised IAS19 Actuarial report - as a result of changes to the value of the pension plan assets. This had the result of reducing the Council's Net Pension Liability by £0.587 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.*
- *Separate to the adjustment above, the Council requested a revised IAS 19 Actuarial following the completion of the Pension Fund Triennial Valuation at the 1 April 2022 (reported in March 2023). This resulted in a further change in the Council's Pension Liability at the 31 March 2022 balance sheet date, as a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was understated by £0.835 million. The cumulative impact of these corrected differences is a total increase in liability by £0.248 million from the balance reported within the draft financial statements.*

### *Inherent Risk: National Non-Domestic Rates (NNDR) Appeals Provision*

- *We have completed our testing over the provision and have no matters to report.*



## Executive Summary

### Areas of audit focus (continued)

#### *Inherent Risk: Recoverability of Receivables (Debtors)*

We identified an audit difference of £0.109 million due to the over-provision of Impairment of bad debts, due to the double counting of court costs within that provision calculation. Short term Debtors were understated by £0.109 million, with the Provision for Impairment of bad debts was overstated by the same amount. We also identified that Management were unable to provide detailed evidence to support rates used in the calculation of the bad debt provision. We completed analysis using historical balance movements and determine the provision was understated by £0.276 million. Management have asserted that they are comfortable with the current level of bad debt provision recorded without this adjustment.

#### *Inherent Risk: Valuation of Buildings and Investment Property*

- We have identified 5 'Other Land & Building' assets and 2 Investment Property assets that have not been recorded correctly within the Fixed Asset Register to split out the land and building elements. Further information about these issues are included on the next page.
- We identified that 1 asset in Other Land & Building (Huntingdon Multi-story Car Park) was incorrectly valued by Montagu Evans. Management obtained an updated valuation from their new valuer WHE which identified an understatement of £0.360 million. We further identified that impairment adjustments in the amount of £3.249 million were not written out of the fixed asset register.
- We have identified 2 Investment Property assets that have not been appropriately valued. Oak Tree Health Centre value was understated by £0.099 million resulting from the over inclusion of remedial expenses which decreased the property value. Unit 2 Stonehill value was understated by £0.188 million resulting from the use of a lower rental income amount as an input than what our market research supported.
- We have identified various smaller input differences across our tested sample which we then projected across the population resulting a projected understatement of the total investment property balance by £0.263 million.
- We have identified that the council incorrectly classified assets as assets held for sale requiring a reclassification to other land and building in the amount of £1.917 million.
- We have identified that council had historically understated leisure centre assets within the fixed asset register. This led to a prior year adjustment to increase other land and building assets by £2.271 million. The impact on the 2021/22 statement of accounts after consideration of depreciation was an increase to other land and building assets of £2.177 million.
- We have identified a control deficiency within the Fixed Asset Register with respect to the treatment of revaluation gains and losses. Further discussion is included on page 10.

# Executive Summary

## Audit differences

### Uncorrected differences

#### 1. Balance Sheet - Provision for impairment of bad debts

We identified that management were unable to provide sufficient audit evidence to support historical rates applied in the calculation of the bad debt provision. We performed an independent substantive analytical procedure based on historical data available within our audit files to determine our estimate of the expected bad debt provision. This resulted in an identified understatement of the bad debt provision of £0.276 million.

#### 2. Balance Sheet - Historic Cost Adjustment

We have identified assets within the cleansed fixed asset registers for the period 2013/14 to 2021/22 where the depreciation charged on the historic cost is greater than the current cost depreciation resulting in a overstatement of the Revaluation Reserve in the amount of £0.107 million and understatement of the Capital Adjustment Account by the same amount.

#### 3. Comprehensive Income Statement - Car Park Impairment

We identified an impairment recorded within the accounts relating to car park buildings in the amount of £0.501 million. We determined based on the valuers methodology that the related car park buildings should have been recorded as a disposal resulting in a loss of the same amount. This results in a nil net impact to the overall financial position but changes the presentation of disclosures for the Capital Adjustment Account and Revaluation Reserve.

### Corrected differences

At the time of issuing this report, there are a number of corrected audit differences arising from our audit, which we are bringing to your attention:

#### 1. Balance Sheet - Net Pension Liability / Actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement

The Council received a revised IAS19 Actuarial report - as a result of changes to the value of the pension plan assets. This had the result of reducing the Council's Net Pension Liability by £0.587 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared. Subsequent to this recoding of this adjustment the triennial valuation as at 31 March 2022 was completed by the actuary. This identified a net increase to the pension liability of £0.248 million when compared to the published draft accounts.

#### 2. Balance Sheet - Provision for impairment of bad debts

We identified an audit difference of £0.109 million due to the over-provision of Impairment of bad debts, due to the double counting of court costs within that provision calculation. Short term Debtors were understated by £0.109 million, with the Provision for Impairment of bad debts was overstated by the same amount.

# Executive Summary

## Audit differences

### 3. Balance Sheet - Infrastructure Assets

The client identified disposals that should have occurred in 2020/21 in the amount of £0.212 million to align with their accounting policy to derecognize assets with a nil net book value that were not appropriately recorded through the GL but were removed from the fixed asset register. In 2021/22 the assets were added back to the fixed asset register and the disposals were processed through the general ledger and fixed asset register. As these assets were fully depreciated there was a net zero impact on net book value.

### 4. Balance Sheet - Property, Plant & Equipment - Other Land & Buildings - Split between Land and Building elements

We have identified that 5 Other Land & Buildings (OL&B) and 2 Investment Property assets that have not been recorded correctly on the FAR to split out as land and building. This impacts on future years depreciation and valuations. The amount re-classified from OL&B buildings to land is £5.524 million.

### 5. Balance Sheet - Investment Property - Split between Land and Building elements

We have identified that 2 Investment Property assets (Pub Site - Sapley Square and Phoenix Court) have not been recorded correctly on the Fixed Asset Register as the land and building elements have not been correctly split out. This impacts on future years valuations. The amount re-classified for Investment Properties buildings to land is £0.147 million

### 6. Balance Sheet - Property, Plant & Equipment - Investment Property Valuations

We have identified 2 Investment Property assets that have not been appropriately valued. Oak Tree Health Centre value was understated by £0.099 million resulting from the over inclusion of remedial expenses which decreased the property value. Unit 2 Stonehill value was understated by £0.188 million resulting from the use of a lower rental income amount as an input than what our market research supported. We also identified various other small differences in our testing of representative sample which we have projected over the population resulting a projected understatement of £0.263 million. The total impact to the statement of accounts is an increase to the Investment Property line item on the Balance Sheet totalling £0.551 million and an increase to the Surplus on financial assets measured at fair value through other comprehensive income line on the Comprehensive Income and Expenditure Statement of the same amount.

### 7. Balance Sheet - Property, Plant & Equipment - Assets Held for Sale

We have identified that the council incorrectly classified assets as assets held for sale requiring a reclassification to other land and building in the amount of £1.917 million. The assets failed to meet the definition of assets held for sale as their sale was not expected within the required 12 month period.

### 8. Balance Sheet - Property, Plant & Equipment - Multi-story Carpark

We identified that 1 asset in Other Land & Building (Huntingdon Multistory Car Park) was incorrectly valued. Management obtained an updated valuation from their new valuer WHE which identified an understatement of £0.360 million. This increase in value was driven by more reasonable income and yield inputs used by WHE which our testing found to be supportable. We further identified that impairment adjustments in the amount of £2.484 million were not written out of the fixed asset register related to this asset.

## Audit differences

### 9. Balance Sheet - Property, Plant & Equipment - Leisure Centres

We have identified that the Council have historically understated that value of Leisure Centres due to an assumption that a proportion of the asset was owned by Cambridgeshire County Council. A review of contracts, arrangements, and sale of a previously held leisure centre determined that the asset value should be fully assigned to Huntingdonshire District Council. This led to a prior year adjustment to increase 'Other Land and Building assets by £2.271 million. The impact on the 2021/22 statement of accounts after consideration of depreciation was an increase to 'Other Land and Building assets of £2.177 million.

### 10. Balance Sheet - Revaluation Reserve and Capital Adjustment Account - Gain and Loss Movements

We identified that management had not been appropriately recording movements in revaluation gains and losses through the reserves and Comprehensive Income and Expenditure Statement. This resulted in a prior year adjustment with the revaluation reserve overstated by £2.649 million and the Capital Adjustment Account understated by £4.826 million as at 31 March 2021 (discussed further on page 10). As at 31 March 2022 the further impact to the accounts was an overstatement of the revaluation reserve by £2.365 million and understatement of the Capital Adjustment Account by £2.270 million.

Further details of the audit differences above can be found in Section 04 of this report.

### Disclosure Differences

We also identified several disclosure misstatements in the draft financial statement which Management have chosen to adjust. We do not deem any differences to be so significant as to merit bringing to your attention.

## Executive Summary

### Control observations

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 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.

Our review of the Council's Fixed Asset Register identified that the Council was not compliant with the requirements for recognizing revaluation gains and losses through the Comprehensive Income and Expenditure Statement, Capital Adjustment Account and the Revaluation Reserve. This issue impacts the prior year closing balance and the current year closing balances for these accounts. Our review also identified that Management did not account for 100% of the value of Leisure Centres owned by the Council which impacts the Net Book Value of assets and impacts the calculation of revaluation movements as discussed above.

In the prior year, the closing balance of the Revaluation Reserve as at 31 March 2021 was overstated by £2.649 million and the closing balance of the Capital Adjustment Account was understated by £4.826 million resulting in a net increase in Total Unusable Reserves on the Balance Sheet of £2.176 million. The Net Book Value of Assets on the Balance Sheet and Other Comprehensive Expenditure and Income were also understated by £2.176 million. This is due to the cumulative level of valuation movements over the prior eight financial years and the impact of recognizing the unaccounted-for portion of the Leisure Centres. The amount of £2.649 million should have been posted as a revaluation gain to the Comprehensive Income and Expenditure Statement (CIES), reversing a previous impairment charge to that account, and then adjusted via the Capital Adjustment Account (CAA) to the Movement in Reserves Statement (MIRS).

In the current year financial statements, the Revaluation Reserve was overstated by a further £2.365 million, representing further in year valuation movements. This audit difference should be adjusted in year, via the same series of adjustments through the CIES, CAA, and MIRS.

This error arose due to the Fixed Asset Register (FAR) being manually maintained within an excel spreadsheet without appropriate review of the balances being manually entered into the FAR for compliance with the requirements of the Code, on an asset by asset level, that considered previous valuation movements and where they had been accounted for. The significant level of upward valuation movements within the current year identified the issue through our sample testing procedures. We understand that the Council is moving to a system based fixed asset register module in 2023/24, which will reduce the risk of this error occurring in the future due to the pre-set algorithm control in place within the module.

**Recommendation:** We recommend that Management perform a review of valuation movements each year, including the appropriate challenge of valuation experts, as part of closing procedures to ensure that all movements are understood and that the FAR module report is in line with expectations.



# Executive Summary

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## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. As a result of this work we have identified a number of amendments which are required and have been communicated to Management for adjustment.

The Council fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £2 billion). We do not expect therefore to have any issues to report. We will submit our assurance statement to the NAO on this basis.

We have no other matters to report.

## Objection

We have not received any objections to the 2021/22 accounts from members of the public.

## Independence

We have no matters relating to our Independence to bring to your attention. Please refer to Section 07 for our update on Independence.



02

## Areas of Audit Focus

## Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

**Fraud 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 and Ireland) 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 did we do?

In response to this risk, we:

- ▶ Identified fraud risks during the planning stages, which reflect the significant fraud risk recognised in this report (the risk of inappropriate capitalisation of expenditure).
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks documented on this file.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including:
  - ▶ Testing journal entries at year-end to ensure there are no unexpected or unusual postings.
  - ▶ Undertaking a detailed review of accounting estimates for evidence of bias (such as the valuation of land and buildings and pension liability balances); and
  - ▶ substantively any tested unusual or unexpected transactions.

### What are our conclusions?

As reported in our Provisional Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. The identified area was the inappropriate classification of revenue spend as capital expenditure. The results of our work on this specific risk is set out on the following page.

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.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

#### Update:

Our testing of journals is completed and we have not identified adjustments outside of the normal course of business. All journals tested have appropriate rationale.

## Audit risks

# Our response to significant risks (continued)

### Fraud Risk:

**Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)\***

### 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. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

### What did we do?

In response to this risk, we undertook the following procedures:

- ▶ For significant capital additions, we examined invoices, capital expenditure authorisations, leases and other data that support these additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- ▶ We extended our testing of items capitalised in the year by lowering our testing threshold. We also reviewed a larger random sample of capital additions below our testing threshold.
- ▶ We used our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

### What are our conclusions?

We have completed our work on capital additions and have not identified any additions that were capitalised which did not meet the statutory definition of capital.

#### Update:

Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.

## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What did we do and what is our conclusion?
<p><b><u>Valuation of land and buildings and investment property</u></b></p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>At 31 March 2022 the net book value of PPE was £77.2 million, and the fair value of Investment Properties (including Group) was £69.5 million. We note that within PPE, our focus is on Land and Buildings.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In response to this risk, we:</p> <ul style="list-style-type: none"> <li>▶ Considered the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ Performed testing of key assumptions and methodologies on a sample of assets and considered the reasonableness of the estimation techniques employed;</li> <li>▶ Sample tested key asset information used by the valuer in performing their valuation, and agreeing this to what has been recorded in the fixed asset register and general ledger;</li> <li>▶ Considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Considered changes to useful economic lives as a result of the most recent valuation;</li> <li>▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 3 year rolling programme as required by the Code;</li> <li>▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;</li> <li>▶ Tested accounting entries have been correctly processed in the financial statements; and</li> <li>▶ Reviewed the disclosures to ensure this is adequate in relation to estimation uncertainty.</li> </ul> <p>We selected a sample of 20 Investment Properties, totalling £61.9 million and a sample of 25 Land and buildings assets, totalling £17.3 million, for testing. We have completed the following work in this area and noted the following:</p> <p><b>Valuation of Other Land and Buildings: Land and Buildings split</b></p> <ul style="list-style-type: none"> <li>▶ We have identified that 5 OL&amp;B have not been recorded correctly on the FAR as Land and Buildings have not been correctly split out. This impacts on future years depreciation and valuations. The amount reclassified from buildings to land is £5.524 million.</li> </ul> <p><b>Impairments</b></p> <ul style="list-style-type: none"> <li>▶ We have reviewed all of the assets that have been identified in 2021/22 and we note that there are 22 assets that have been classified as "impaired". 21 of these are the building elements of the car parks. This is the first time that Montague Evans (Management's Valuer) have valued the car parks and they have classified the Car Parks as 'land only' assets resulting in a full write down of building components. Total value £2.711 million. One of these assets is the Huntingdon Multi storey car park which has had a significant reduction in value from £7.596 million to £0.46 million. We need to perform additional testing over this rationale to confirm the appropriateness of these valuations.</li> </ul>

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What did we do and what is our conclusion?
<p><u>Valuation of land and buildings and Investment property (continued)</u></p>	<p>Findings continued:</p> <p><b>Impairment</b></p> <ul style="list-style-type: none"> <li>There is no evidence to support the reversing of Prior Year impairments that have been charged to the Comprehensive Income &amp; Expenditure Statement (Amount totalling £3.329 million for 20/21 and £4.847 million for 21/22). The Council, at a meeting on 06 April 2023, agreed that this had not taken place and to review the Fixed Asset Register and prior year entries to determine the potential impact.</li> </ul> <p><b>Investment Property</b></p> <ul style="list-style-type: none"> <li>We have identified that 2 Investment Property assets (Pub Site - Sapley Square and Phoenix Court) have not been recorded correctly on the Fixed Asset Register as the land and building elements have not been correctly split out. This impacts on future years valuations. The amount reclassified for Investment Properties buildings to land is £0.147 million</li> </ul> <p><b>Update:</b></p> <p><b>Investment Property</b></p> <ul style="list-style-type: none"> <li>We have identified 2 Investment Property assets that have not been appropriately valued. The Oak Tree Health Centre was understated by £0.099 million resulting from the over inclusion of remedial expenses which decreased the property value. Unit 2 Stonehill was understated by £0.188 million resulting from the use of a lower rental income amount as an input than our market research supported. We also identified various other small differences in our testing of representative sample which we have projected over the population resulting a projected understatement of £0.263 million. The total impact to the statement of accounts is an increase to the Investment Property line item on the Balance Sheet of £0.551 million and an increase to the 'Surplus on financial assets measured at fair value through other comprehensive income' line on the Comprehensive Income and Expenditure Statement of the same amount.</li> </ul> <p><b>Assets Held for Sale</b></p> <ul style="list-style-type: none"> <li>We have identified that the Council incorrectly classified some assets as 'Assets Held for Sale' requiring a reclassification to 'Other Land and Building' in the amount of £1.917 million. The assets failed to meet the definition of assets held for sale, as their sale was not expected within the required 12 month period.</li> </ul>

## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

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

Valuation of land and buildings and Investment property (continued)

#### What did we do and what is our conclusion?

Findings continued:

##### Multi-story Carpark

- ▶ We identified that 1 asset in Other Land & Building (Huntingdon Multi-story Car Park) was incorrectly valued. Management obtained an updated valuation from their new valuer WHE which identified an understatement of £0.360 million. This increase in value was driven by more reasonable income and yield inputs used by WHE which our testing found to be supportable. We further identified that impairment adjustments in the amount of £2.484 million were not written out of the fixed asset register related to this asset.

##### Leisure Centre

- ▶ We have identified that the Council have historically understated that value of Leisure Centres due to an assumption that a proportion of the asset was owned by Cambridgeshire County Council. A review of contracts, arrangements, and sale of a previously held leisure centre determined that the asset value should be fully assigned to Huntingdonshire District Council. This led to a prior year adjustment to increase 'Other Land and Building' assets by £2.271 million. The impact on the 2021/22 statement of accounts after consideration of depreciation was an increase to other land and building assets of £2.177 million.

##### Revaluation Gains and Losses (including impairment update)

- ▶ We identified that Management had not been appropriately recording movements in revaluation gains and losses through the Revaluation Reserves and Comprehensive Income and Expenditure Statement. This resulted in a prior year adjustment with the Revaluation Reserve overstated by £2.649 million and the Capital Adjustment Account understated by £4.826 million as at 31 March 2021 (discussed further on page 10). As at 31 March 2022 the further impact to the accounts was an overstatement of the Revaluation Reserve by £2.365 million and understatement of the Capital Adjustment Account by £2.270 million.

## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What did we do and what is our conclusion?
<p><b>Accounting for Infrastructure Assets</b></p> <p>An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. The Council hold Infrastructure Assets, with a Net book value of £4.618 million at 31 March 2022.</p> <p>As a result of not writing out gross cost and accumulated depreciation where components are replaced, there is a risk that, if this is the case for elements not fully depreciated, assets in the Balance Sheet could be overstated. As a result, we have raised an Inherent risk in this area.</p>	<p><b>Update:</b></p> <p>In response to this risk we :</p> <ul style="list-style-type: none"><li>▶ Obtained an understanding of the Infrastructure Assets balance and the individual assets comprising the balance;</li><li>▶ Obtained an understanding of the Council's process for writing out gross cost and accumulated depreciation on the balance</li><li>▶ Inspected additions to infrastructure assets to identifying any that related to replacements thereby requiring derecognition.</li></ul> <p>We have completed our work in this area and noted no issues.</p>

## Audit risks

### Other areas of audit focus (continued)

What is the risk/area of focus?	What did we do and what is our conclusion?
<p><u>Pensions liability - IAS19</u></p> <p>The Local Authority Accounting Code of Practice (the code) and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability 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 administering body. The pension liability as at 31 March 2022 was £69.255 million (PY was £93.044 million).</p> <p>Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In response to this risk, we:</p> <ul style="list-style-type: none"> <li>▶ Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Huntingdonshire District Council;</li> <li>▶ Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC, commissioned by the National Audit Office for all local government sector auditors, and considered the review of this undertaken by the EY actuarial team;</li> <li>▶ Used our internal EY pensions team to calculate an estimate of the Council's pension liability by running their own 'actuarial model' and comparing this to that produced by the Council's actuary; and</li> <li>▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul> <p>We have completed the following work in this area:</p> <ul style="list-style-type: none"> <li>▶ We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.</li> <li>▶ We have agreed the Council's IAS 19 disclosures to the Actuaries' report to ensure these are fairly stated in the accounts.</li> <li>▶ The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us.</li> <li>▶ As a result, the Council received an updated IAS19 report from the Actuary to determine the impact on the Council's Pension Liability. The impact was to reduce the Council's Net Pension Liability by £0.587 million. The adjustment was made by Management due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.</li> </ul> <p><b>Update:</b></p> <ul style="list-style-type: none"> <li>▶ Separate to the adjustment above, the Council requested a revised IAS 19 Actuarial following the completion of the Pension Fund Triennial Valuation at the 1 April 2022 (reported in March 2023). This resulted in a further change in the Council's Pension Liability at the 31 March 2022 balance sheet date, as a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was understated by £0.835 million. The cumulative impact of these corrected differences is a total reduction in liability by £0.248 million from the balance reported within the draft financial statements.</li> </ul>

## Audit risks

### Other areas of audit focus (continued)

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

##### **National Non-Domestic Rates (NNDR) Appeals Provision**

The calculation of the NNDR Appeals Provision is estimate based. Given the impact of COVID-19 on businesses seeking reductions in rateable values, there is a risk of material misstatement of the appeals provision due to the nature of the provision and the uncertainty around the full impact of COVID-19.

In light of this we consider there to be an inherent risk of misstatement of the Council's NNDR appeals provision.

##### **Bad debt provision and recoverability of debtors**

As a result of the long term impact of COVID-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of COVID-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

#### What did we do and what is our conclusion?

In response to this risk, we:

- ▶ Reviewed the assumptions made by the Council in preparing the NNDR appeals provision; and
- ▶ Assessed the reasonableness of any local adjustments made by the Council on the NNDR appeals provision.

##### **Update:**

Our work in this area is complete and no issues have been identified.

In response to this risk we :

- ▶ Reviewed the calculation of the Bad Debt Provision for reasonableness and accuracy; and
- ▶ Considered the recoverability of receivables in testing a sample of trade receivables.

Work have:

- ▶ Identified an audit difference of £0.109 million due to the over-provision of the Impairment of bad debts, due to the double counting of court costs. Short term Debtors account were understated by £0.109 million with the Provision for Impairment of bad debts being overstated by the same amount.

##### **Update:**

We identified that Management were unable to provide sufficient audit evidence to support historical rates applied in the calculation of the bad debt provision. We performed an independent substantive analytical procedure based on historical data available to us to determine our estimate of the expected bad debt provision. This resulted in an identified understatement of the bad debt provision in the amount of £0.276 million.

## Audit risks

### Other areas of audit focus (continued)

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

##### **Accounting for Covid-19 related grant funding**

The Council has received a significant level of additional 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 government 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 within the 2021/22 statements.

##### **Payroll System Implementation**

We have identified during the course of the audit that the Council has changed payroll systems this presents a risk around the appropriate migration of payroll data between systems.

#### What did we do and what is our conclusion?

In response to this risk, we:

- ▶ Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature;
- ▶ Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body;
- ▶ Reviewed the instructions and conditions of each grant that we were testing to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants; and

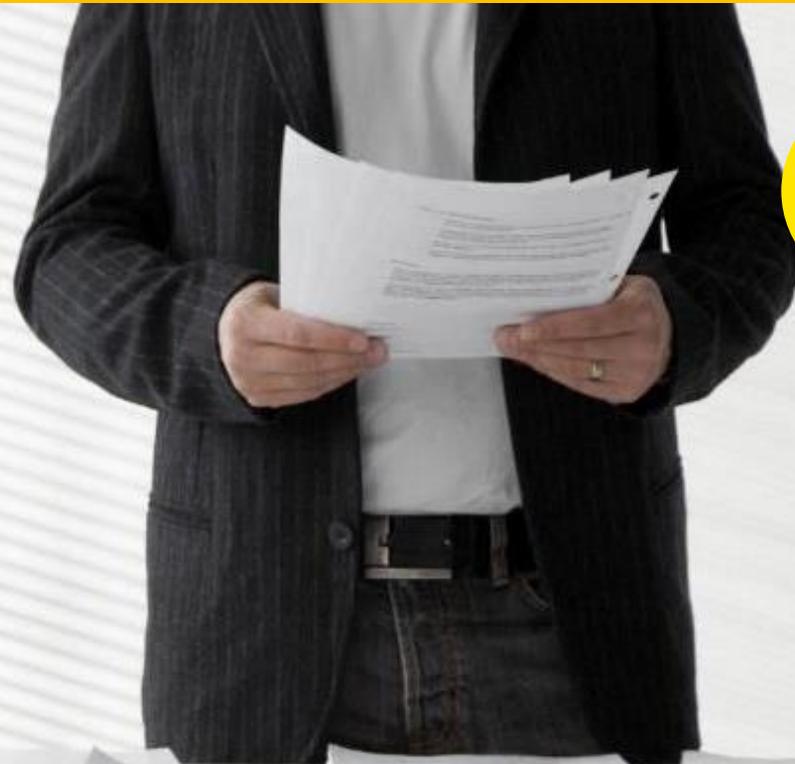
##### **Update:**

Our work in this area is complete and no issues have been identified.

In response to this risk, we:

- ▶ Understood the controls in place within the new 'iTRENT' system, including the interaction between the system and the General Ledger;
- ▶ Understood the data transfer process from the previous system to the new system to ensure completeness of data transfer;
- ▶ Performed testing procedures in relation to the data transfer process to ensure accuracy of data transfer; and
- ▶ Performed analytical procedures on overall payroll expenditure to ensure that expenditure is not materially overstated or understated.

Our work in this area is complete and no issues have been identified.



# 03 Audit Report

**DRAFT**



## Draft audit report

### Our opinion on the financial statements

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

##### Opinion

We have audited the financial statements of Huntingdonshire District Council ('the Authority') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- ▶ Movement in Reserves Statement,
- ▶ Comprehensive Income and Expenditure Statement,
- ▶ Balance Sheet,
- ▶ Cash Flow Statement,
- ▶ the related notes 1 to 39, and
- ▶ the Collection Fund and the related notes C1 to C3.

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 Huntingdonshire 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. 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 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.



## Our opinion on the financial statements

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Corporate Services' 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 of 12 months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Director of Finance and 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 Authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the 'Statement of Accounts For the year ended 31 March 2022', other than the financial statements and our auditor's report thereon. The Director of Finance and Corporate Services is responsible for the other information contained within the 'Statement of Accounts For the year ended 31 March 2022'.

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 Authority
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ 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 (as amended)



## Our opinion on the financial statements

- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ 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 Finance and Corporate Services

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 15, the Director of Finance and 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 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), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance and Corporate Services determines 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 Finance and 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 has 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.



## Our opinion on the financial statements

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,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

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

We understood how Huntingdonshire District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the 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, Authority policies and procedures 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 the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

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.



## Our opinion on the financial statements

### 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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Huntingdonshire 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 Huntingdonshire 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.

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, Huntingdonshire 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 the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Huntingdonshire District Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

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 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 Huntingdonshire 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

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of Adjusted Audit Differences

We highlight misstatement greater than £0.097 million which have been corrected by management that were identified during the course of our audit:

### Corrected differences

At the time of issuing this report, there are a number of corrected audit differences arising from our audit, which we are bringing to your attention:

#### **1. Balance Sheet - Net Pension Liability / Actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement**

The Council received a revised IAS19 Actuarial report - as a result of changes to the value of the pension plan assets. This had the result of reducing the Council's Net Pension Liability by £0.587 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared. Subsequent to this recoding of this adjustment the triennial valuation as at 31 March 2022 was completed by the actuary. This identified a net increase to the pension liability of £0.835 million when compared to the published draft accounts.

#### **2. Balance Sheet - Provision for impairment of bad debts**

We identified an audit difference of £0.109 million due to the over-provision of Impairment of bad debts, due to the double counting of court costs within that provision calculation. Short term Debtors were understated by £0.109 million, with the Provision for Impairment of bad debts was overstated by the same amount.

#### **3. Balance Sheet - Infrastructure Assets**

The client identified disposals that should have occurred in 2020/21 in the amount of £0.212 million to align with their accounting policy to derecognize assets with a nil net book value that were not appropriately recorded through the GL but were removed from the fixed asset register. In 2021/22 the assets were added back to the fixed asset register and the disposals were processed through the general ledger and fixed asset register. As these assets were fully depreciated there was a nil net impact on net book value.

#### **4. Balance Sheet - Property, Plant & Equipment - Other Land & Buildings - Split between Land and Building elements**

We have identified that 5 Other Land & Buildings (OL&B) and 2 Investment Property assets that have not been recorded correctly on the FAR to split out as Land and Building. This impacts on future years depreciation and valuations. The amount re-classified from OL&B buildings to Land is £5.524 million.

#### **5. Balance Sheet - Investment Property - Split between Land and Building elements**

We have identified that 2 Investment Property assets (Pub Site - Sapley Square and Phoenix Court) have not been recorded correctly on the Fixed Asset Register as the land and building elements have not been correctly split out. This impacts on future years valuations. The amount re-classified for Investment Properties buildings to land is £0.147 million.



# Audit Differences

## Summary of Adjusted Audit Differences (cont)

### 6. Balance Sheet - Property, Plant & Equipment - Investment Property Valuations

We have identified 2 Investment Property assets that have not been appropriately valued. Oak Tree Health Centre was understated by £0.099 million resulting from the over inclusion of remedial expenses which decreased the property value. Unit 2 Stonehill was understated by £0.188 million resulting from the use of a lower rental income amount as an input than what our market research supported. We also identified various other small differences in our testing of representative sample which we have projected over the population resulting a projected understatement of £0.263 million. The total impact to the statement of accounts is an increase to the Investment Property line item on the Balance Sheet totalling £0.551 million and an increase to the 'Surplus on financial assets measured at fair value through other comprehensive income' line on the Comprehensive Income and Expenditure Statement of the same amount.

### 7. Balance Sheet - Property, Plant & Equipment - Assets Held for Sale

We have identified that the council incorrectly classified assets as assets held for sale requiring a reclassification to other land and building in the amount of £1.917 million. The assets failed to meet the definition of assets held for sale as their sale was not expected within the required 12 month period.

### 8. Balance Sheet - Property, Plant & Equipment - Multi-story Carpark

We identified that 1 asset in Other Land & Building (Huntingdon Multi-story Car Park) was incorrectly valued. Management obtained an updated valuation from their new valuer WHE which identified an understatement of £0.360 million. This increase in value was driven by more reasonable income and yield inputs used by WHE which our testing found to be supportable. We further identified that impairment adjustments in the amount of £2.484 million were not written out of the fixed asset register related to this asset.

### 9. Balance Sheet - Property, Plant & Equipment - Leisure Centres

We have identified that the Council have historically understated that value of Leisure Centres due to an assumption that a proportion of the asset was owned by Cambridgeshire County Council. A review of contracts, arrangements, and sale of a previously held leisure centre determined that the asset value should be fully assigned to Huntingdonshire District Council. This led to a prior year adjustment to increase other land and building assets by £2.271 million. The impact on the 2021/22 statement of accounts after consideration of depreciation was an increase to other land and building assets of £2.177 million.

### 10. Balance Sheet - Revaluation Reserve and Capital Adjustment Account - Gain and Loss Movements

We identified that Management had not been appropriately recording movements in revaluation gains and losses through the reserves and Comprehensive Income and Expenditure Statement. This resulted in a prior year adjustment with the revaluation reserve overstated by £2.649 million and the Capital Adjustment Account understated by £4.826 million as at 31 March 2021 (discussed further on page 10). As at 31 March 2022 the further impact to the accounts was an overstatement of the Revaluation Reserve by £2.365 million and understatement of the Capital Adjustment Account by £2.270 million.

### Disclosure Differences

We also identified several disclosure misstatements in the draft financial statement which Management have chosen to adjust. We do not deem any differences to be so significant as to merit bringing to your attention.



# Audit Differences

## Summary of Unadjusted Audit Differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Corporate Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2022 (GBP '000)			Effect on the current period:		Net assets (Decrease)/Increase		
			Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Errors							
Judgemental differences:							
▶ Bad Debt Provision (1)			276	(276)			
▶ Historic Cost Adjustment (2)		0					
▶ Car Park Impairment		0					
Balance sheet totals		(90,035)	(40,788)	78,642	165,946	(45,276)	(109,277)
Income effect of uncorrected misstatements (before tax)			(370)				

We have identified unadjusted audit differences in the draft financial statements.

- Bad Debt Provision** - We identified that Management were unable to provide sufficient audit evidence to support historical rates applied in the calculation of the bad debt provision. We performed an independent substantive analytical procedure based on historical data available within our audit files to determine our estimate of the expected bad debt provision. This resulted in an identified understatement of the bad debt provision in the amount of £0.276 million.
- Historic Cost Adjustment** - We have identified assets within the cleansed fixed asset registers for the period 2013/14 to 2021/22 where the depreciation charged on the historic cost is greater than the current cost depreciation resulting in a overstatement of the Revaluation Reserve in the amount of £0.107 million and understatement of the Capital Adjustment account by the same amount. The net impact to the reserves is nil.
- Car Park Impairment** - We identified an impairment recorded within the accounts relating to car park buildings in the amount of £0.501 million. We determined based on the valuers methodology that the related car park buildings should have been recorded as a disposal resulting in a loss of the same amount. This results in a net nil impact to the overall financial position but changes the presentation of disclosures for the Capital Adjustment Account and Revaluation Reserve.

There are no uncorrected adjustments identified for cash flows or disclosures.



05

## Value for Money



# Value for money

## The Council's responsibilities for value for money (VFM)

The Council 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.

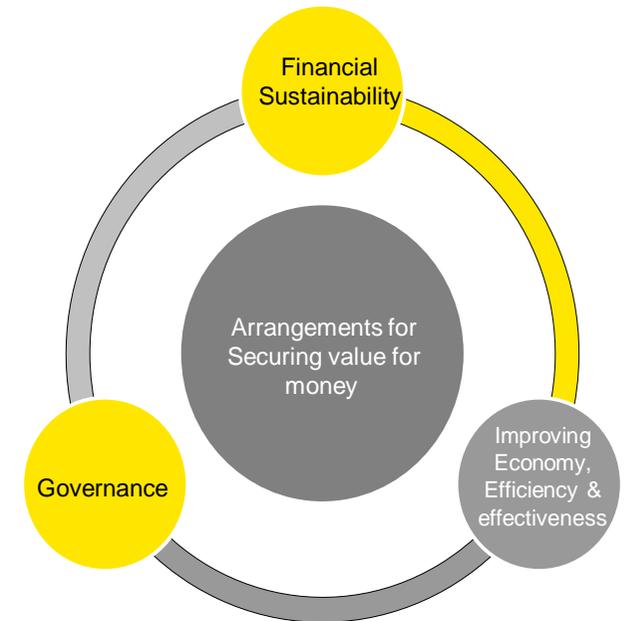
## Risk assessment

We have completed our planning and risk assessment procedures including discussions with Management and review of key minutes and documents and have not identified any significant weaknesses in the Council's arrangements.

## Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception'.

We will include our detailed VFM commentary in the Auditor's Annual Report. We plan to issue the VFM commentary by the end of October 2023 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 2021/22 with the audited financial statements. Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements, subject to completion of our final audit procedures.

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. Our review of the Annual Governance identified a number of additional required disclosures which are to be processed by Management.

### 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.

As the Council falls below the £2 billion threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We will submit the required Assurance Statement to the NAO confirming this.

### 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 have not received any formal questions or objections to the Council's financial statements, following the required Inspection Period.

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 Council, 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 and have not had course to use this duty.

## Other reporting issues

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# 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 Council'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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report.



07

Independence

## Relationships, services and related threats and safeguards

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The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, 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 1<sup>st</sup> April 2021 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 feed due for 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, there are no future services which have been contracted and no written proposal to provide non-audit services have been submitted. We confirm that we have not undertaken any non-audit work, other than Housing Benefit Certification assurance work.

### 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 30 June 2022:

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

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
Description	£'s	£'s	£'s
Total Fee - Code work	40,992	40,992	40,992
Determined Scale Fee Variation (Note 1)	-	-	51,019
<b>Revised Proposed Scale Fee</b>	<b>40,992</b>	<b>40,992</b>	<b>92,011</b>
<b>Additional work:</b>			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 2)	86,736	-	-
Other additional procedures required to address audit risks to enable the conclusion of the audit (Note 3)	TBC	-	-
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>	<b>92,011</b>

*All fees exclude VAT*

**Note 1** - PSAA Ltd determined the Fee Variation for 2020/21 in February 2023.

**Note 2** - We proposed an increase to the base scale fee of £86,736 for 2020/21 to reflect the cost of increased regulatory requirements as well as to reflect the additional work required to address specific risks. PSAA have determined a final additional fee for 2020/21 of £51,019 in relation to these areas. For 2021/22, the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to determination by PSAA Ltd - subject to any further notified annual price uplifts.

**Note 3** - As set out in this report, we have had to perform additional audit procedures to respond to the associated audit risks identified. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications within the Auditor's Annual Report or separately depending on the timing of determination.



## 08 Appendices

## Appendix A

# Required communications with the Governance & 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
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Terms of engagement	Confirmation by the 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.	Provisional Audit Plan - August 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Provisional Audit Plan - August 2022
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>	Audit Results Report - April 2023 Audit Results Report Addendum - September 2023  Annual Auditors Report - July 2023

# 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>	<p>Audit Results Report - April 2023            Audit Results Report Addendum - September 2023</p>
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>	<p>Audit Results Report - April 2023            Audit Results Report Addendum - September 2023</p>
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>	<p>Audit Results Report - April 2023            Audit Results Report Addendum - September 2023</p>
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 Audit, Standards and Statutory Accounts Committee responsibility.</li> </ul>	<p>Audit Results Report - April 2023            Audit Results Report Addendum - September 2023</p>

## Appendix A

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
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>	<p>Audit Results Report - April 2023            Audit Results Report Addendum - September 2023</p>
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> <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Provisional Audit Plan - August 2022            Audit Results Report - April 2023            Audit Results Report Addendum - September 2023            Annual Auditors Report - Oct 2023</p>
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>	<p>Audit Results Report - April 2023            Audit Results Report Addendum - September 2023</p>
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>	<p>Audit Results Report - April 2023            Audit Results Report Addendum - September 2023</p>

# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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>	Audit Results Report - April 2023 Audit Results Report Addendum - September 2023 Annual Auditors Report - Oct 2023
May	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Provisional Audit Plan - August 2022 Audit Results Report - April 2023 Audit Results Report Addendum - September 2023
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>	Audit Results Report - April 2023 Audit Results Report Addendum - September 2023
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>	Audit Results Report - April 2023 Audit Results Report Addendum - September 2023
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>	Audit Results Report - April 2023 Audit Results Report Addendum - September 2023

## 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 
Subsequent events procedures	Extension of some audit procedures like review of minutes up to the date of our auditor's report	EY and Management
Agreement of final set of financial statements	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and Management
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2021/22 audit	Management



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter

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 INVESTOR IN PEOPLE

Karen Sutton  
Director of Finance and Corporate Services  
Huntingdonshire District Council  
Pathfinder House  
St Mary's Street  
Huntingdon  
PE29 3TN

13 September 2023  
Ref:  
Your ref:  
Direct line: 01223 394547  
Email: M.Hodgson@uk.ey.com

Dear Karen,

**Huntingdonshire District Council – 2021/22 financial year  
Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Huntingdonshire District Council ("the Council") for the year ended 31 March 2022.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the 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.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300017 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

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You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is 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 we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the Council's financial statements. You believe the Council 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 Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are free of material misstatements, including omissions. You have approved the Council financial statements.
3. That the significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, you believe that the Council 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. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, and set out below by you, which were accumulated by us 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.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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### B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council'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 Council'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. You have provided us 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 as agreed in terms of the audit engagement.
  - Additional information that we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been



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prepared) held through the year to the most recent meeting on the following date: 27 September 2023.

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which you 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 Council's financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the Council's financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Council's financial statements (please specify the Notes) all guarantees that you have given to third parties.

### E. Subsequent Events

1. That other than the disclosure described in Note 6 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or 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.

### F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2021-22.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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### G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
  - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### H. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Council.

### I. Going Concern

1. That the Council has prepared the financial statements on a going concern basis and that Note X - Going Concern to the financial statements discloses all of the matters of which you are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department for Levelling Up, Housing and Communities, the sufficiency of cash flows to support those financial plans.

### J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

### K. Reserves

1. You have properly recorded or disclosed in the Council's financial statements the useable and unusable reserves.



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### L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 pandemic.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

### M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.

#### N. Other Estimates – NDR Appeals provision

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the NDR Appeals provision are consistent with your knowledge of the business.
2. You agree with the findings of the specialists that you engaged to evaluate the NDR Appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
4. You confirm that the significant assumptions used in making the valuation of the NDR Appeals provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the NDR Appeals Provision and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.



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#### O. Other Estimates – Expected Credit Losses

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the Expected Credit Losses are consistent with your knowledge of the business.
2. You agree with the findings of the specialists that you engaged to evaluate the Expected Credit Losses and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
4. You confirm that the significant assumptions used in making the valuation of the Expected Credit Losses appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Expected Credit losses and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.

#### P. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Corporate Governance Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson  
Partner  
Ernst & Young LLP  
United Kingdom

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ED None

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