

**Stevenage Borough Council  
Audit Results Report**

Year ended 31 March 2021

February 2024

19 February 2024

Dear Statement of Accounts and Audit Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Statement of Accounts and Audit Committee. This report summarises our audit conclusion in relation to the audit of Stevenage Borough Council (the Authority) for 2020/21. We will issue our final audit report in March 2024.

We have substantially completed our audit of the Council for the year ended 31 March 2021. Our remaining procedures, which will be completed during early March 2024, mainly consist of the completion of our final quality assurance review procedures on the final assembly of audit working papers and receipt and checking of the final approved financial statements. Subject to concluding the outstanding matters listed in this Report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Appendix C of this report.

This report is intended solely for the use of the Statement of Accounts and Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent. We would like to thank your staff for their help during the engagement. We welcome the opportunity to discuss the contents of this report with you at the Statement of Accounts and Audit Committee meeting on 28 February 2024.

Yours faithfully

Debbie Hanson  
Partner  
For and on behalf of Ernst & Young LLP  
Encl

# Contents



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

The "Terms of Appointment and further guidance (updated July 2021)" 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 Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



# 01 Executive Summary

# Executive Summary

## Scope and status update

In our Audit Plan dated 26 January 2023, we provided you with an overview of our audit scope and approach for the audit of the financial statements, including our assessment and planned response of risks arising from the Covid-19 pandemic on the financial statements. We carried out our audit in accordance with this Plan.

We have revisited our assessment of materiality during the audit and are satisfied that the level of £2.04 million, set at planning stage remains appropriate. Our performance materiality remains at £1.02 million, which represent 50% of materiality.

The audit of the 2020/21 accounts has not been straightforward due to the delays in the completion of the 2019/20 audit, the impact of the COVID-19 pandemic and challenges in the resourcing for both the Council and audit team. We would like to thank the Council finance team for the cooperation and assistance we have received during the course of the audit.

Our audit is substantially complete, with a small number of areas remaining in progress and subject to final Manager and Partner review, or responses from the Council. We hope to be able to complete these remaining areas by the date of the Committee meeting. The key areas (not already referred to elsewhere in this report) of the audit that in progress at the date of drafting this report are:

### *Detailed audit work:*

- ▶ Going concern work - completion of review of updated assessment including confirming the amount of cash and investments balances as at February 2024
- ▶ Value for money arrangements - updating of information up to audit report date
- ▶ Property, plant and equipment valuations (other land and buildings) - receipt of final EYRE memo and response from the Council on the supporting calculation of the parking area not included in the valuation of the Cavendish Road property
- ▶ Water provisions - receipt of the confirmation e-mail from Affinity Water related to the bad debt rates, voids, commission and VAT on commission to support the provision calculation.

### *Final audit completion procedures:*

- ▶ Final quality review procedures by the Manager and Partner
- ▶ Completion of conclusion steps
- ▶ Review of the final version of the financial statements
- ▶ Completion of subsequent events review to the date of the audit report.
- ▶ Receipt of the signed management representation letter and accounts

# Executive Summary

## Audit differences

### Unadjusted audit differences

On the basis of the work we have completed to date, we have identified five audit differences which have not been adjusted for by management in the 2020/21 statement of accounts. Overall these are not material to the financial statements. However, we are required to report all unadjusted audit differences above £102k to the Committee, and ask for reasons for these not being adjusted to be include in the letter of representation.

The unadjusted audit differences relate to:

- *Projected misstatements:*
  - Overstatement of parking income, £187k.
  - Overstatement of fees and charges, £194k
- *Factual misstatements:*
  - Overstatement of other services and support recharges expenses, £185k
  - Unrecorded liability on the acquisition of laptops, £188k
  - Difference in the Council Tax reconciliation, £141k
  - Difference in the pension fund assets in the IAS 19 Report, £318k

We will seek representations from management in the letter of representation for all unadjusted audit differences.

Until our audit is fully concluded further differences may be identified.

### Adjusted audit differences

During the audit, we identified five audit differences which have been adjusted for by management. The most significant of which relates to the following:

- Difference in the pension liability and IAS 19 actuarial report, £1.5 million
- Reclassification to asset held for sale of the Marshgate Car Park, £1.7 million.

Other adjustment relates to the accounting treatment of the Queensway Liability and adjustment to the beginning balance of the pension liability. Further detail on these differences are included in Section 2 of this report

In addition, various disclosure differences have been identified and amended for. The most significant of which was to correct multiple financial statement disclosures for internal consistency with other parts of the financial statements.

Refer to Section 3 of this report for further information on audit differences.

# Executive Summary

## Audit Risk and Areas of audit focus

Our Audit Plan identified key areas of audit risk for our audit of the Authority's financial statements. We summarise below our findings in these areas of the audit:

Significant risk	Findings & conclusions (subject to the final completion of our quality review procedures)
Misstatements due to fraud or error - Risk of management override	We have completed our planned audit procedures and found no indications of management override of controls.
Misstatements due to fraud or error - Inappropriate classification of revenue spend as capital	We have completed our planned audit procedures and found no indications of management override of controls.
Incorrect accounting for financing of capital regeneration schemes	We have completed our planned audit procedures and have not found significant issues.
Valuation of market based property assets (including property, plant and equipment, council dwellings and investment properties)	This area of our audit is substantially complete. Our EY Real Estates team have raised a query relating to the basis of the are for the Cavendish Road Depot valuation. We are not able to fully conclude our work in this area until we have received and considered the Council's response on this issue.
<b>Higher inherent risk</b>	
Valuation of property, plant and equipment assets under depreciated replacement cost (DRC) model	This area is substantially complete, subject to the final report from the EY Real Estates team. The current draft report does not include significant issues on the valuation of these assets.
Queensway lease accounting treatment	We have performed our audit procedures in relation to the Queensway lease and have found a difference amounting £641k. This has been corrected by management with a remaining immaterial difference.
Pension liability valuation and disclosures	<p>We have performed our audit procedures in relation to the pension liability and disclosures. We have identified three (3) misstatements affecting the pension liability amount. Two (2) out of 3 misstatements has been adjusted by management as follows:</p> <ul style="list-style-type: none"> <li>• Difference in the beginning balance, £612k</li> <li>• Difference in the pension liability and IAS 19 actuarial report, £1.5 million</li> </ul> <p>There is also a difference in the pension contributions and investment assets as reported by the Pension Fund auditor with net impact in the pension liability of £318k. This has not been amended for by management.</p>

## Executive Summary

### Audit risk and areas of audit focus (continued)

Higher inherent risk	Findings & conclusions (subject to the final completion of our quality review procedures)
Recognition of grant income associated with Covid-19	We have performed our audit procedures in relation to the recognition of grant income associated with Covid-19. We have not identified significant misstatements or any instances of management bias in relation to this area.
Going concern disclosures	We have received management's going concern assessment and cash flow forecasts which cover a period until 31 March 2025. Our review of this area is currently in progress. We do not anticipate reporting of any material uncertainties in relation to going concern in our audit report.
Infrastructure asset accounting	We have completed our procedures on this area. The Council has adopted the statutory instruments and CIPFA Code adaptation and infrastructure assets is now presented at net book value in the statement of accounts. This is consistent with the treatments in the 2019/20 audited statement of accounts.
Impact of non-compliance with the minimum decent home standards	We have performed our audit procedures in relation to the impact of non-compliance with the minimum Decent Homes Standards. As part of this we have considered the potential impact on provisions and the valuation of council dwellings. Based on the procedures performed, we are satisfied that no provision is required in relation to this issue. We are also satisfied that the non-compliance does not have a significant impact on the valuation of dwellings as the quality and condition of the housing stock has been taken into consideration in the valuation undertaken by the Council's valuer (Savills).

This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We report our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues; and
- ▶ You agree with the resolution of the issues; and there are no other significant issues to be considered.
- ▶ There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.



# Executive Summary

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## **Value for money - progress update**

We have considered the Authority's arrangements related to financial sustainability, governance, and improving economy, efficiency and effectiveness. In our Audit Planning Report we have noted that we had yet to complete our detailed VFM planning and that, based on the planning we had undertaken to date, we expected that one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability. Having completed our planning, we are satisfied that there was no significant risk in relation to this area. We include the details of that consideration in Section 5.

We plan to issue the VFM commentary along with our audit opinion as part of issuing the Auditor's Annual Report.

## **Independence**

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## **Correspondence from the Public**

We did not receive any formal objections and correspondence from members of the public.

## **Control observations**

We have adopted a fully substantive audit approach, so have not tested the operation of controls.

## **Other reporting issues**

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

As the Council is below the £2bn threshold set by the NAO for detailed procedures to be undertaken on the Council's WGA submission and the NAO has now confirmed that they do not require any additional procedures on bodies below the £2bn threshold we will issue our WGA assurance statement to the NAO once we have issued our opinion.

We will issue an audit certificate alongside our audit opinion and Auditor's Annual Report.



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## Areas of Audit Focus



## Areas of Audit Focus

### 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) 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?

We have completed our standard procedures to address the fraud risk, which included:

- ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including:
  - ▶ Testing of journal entries and other adjustments in the preparation of the financial statements;
  - ▶ Reviewing accounting estimates for evidence of management bias; and
  - ▶ Evaluating the business rationale for significant unusual transactions.

#### What are our conclusions?

**Our mandatory procedures did not identify any instances of management override.**

Our testing of journal entries is complete and has not identified any material weaknesses in controls or evidence of 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 Authority's normal course of business.



## Areas of Audit Focus

# Significant risk

### Misstatements due to fraud or error - Incorrect capitalisation of revenue expenditure

#### What is the risk?

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

In 2020/21, the Authority has incurred £43.0 million capital expenditure.

#### What judgements are we focused on?

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

#### What did we do?

Our approach focused on:

- ▶ Sampling testing capital expenditure at a lower testing threshold to verify that revenue costs have not been inappropriately capitalised;
- ▶ Our testing examined invoices, capital expenditure authorisations, leases and other data that support capital additions. We reviewed the sample selected against the definition of capital expenditure in IAS16.
- ▶ We reviewed any unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

#### What are our conclusions?

We performed extensive sample testing on the Council's capital expenditure and revenue expenditure funded from capital under statute (REFCUS) in 2020/21 and have not noted any material issues.

In addition, we did not identify any unusual journal entries in relation to capital additions and REFCUS.



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error - Incorrect accounting for financing of capital regeneration schemes

##### What is the risk?

The Council has a number of highly material capital schemes aimed at the regeneration and revitalisation of Stevenage town centre. In particular for 2020/21 the Council received £9.6m of LEP funding in relation to the new bus interchange in Stevenage town centre.

Given the material misstatement identified and subsequently corrected during the 2019/20 audit in relation to LEP financing of capital schemes, there is a risk that the accounting of the funding of the capital regeneration projects is incorrect within the 2020/21 financial statements.

##### What did we do?

Our approach focused on:

- ▶ Reviewed the financial statements for how the financing of capital regeneration schemes have been accounted for.
- ▶ Confirmed that the accounting treatment adopted is supported by the nature of the underlying funding agreements, e.g. with the Hertfordshire LEP, including if there are any conditions or repayment terms included into the agreement.
- ▶ Tested receipt of capital funding to supporting bank statement evidences to verify that the financing of capital schemes has been accounted for in the correct financial period and any balances at the end of the financial year are appropriately reflected on the balance sheet.

##### What are our conclusions?

Our sample testing has not identified any significant issues on the accounting for financing of capital regenerations schemes.

This work remains subject to Partner review.



## Areas of Audit Focus

### Significant risk

#### Valuation of market based property assets (including other land and buildings, council dwellings and investment properties)

##### What is the risk?

The Council has highly material property assets valued on a market basis (including other land and buildings, council dwellings and investment properties). The valuation of such assets is a significant accounting estimate that, in the context of an uncertain economic environment as a result of Covid, has a material impact on the financial statements.

The Council engages property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.

- Other land and buildings - £65.5 million
- Council dwellings - £701.6 million
- Investment properties - £23.7 million

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

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

We have identified a specific risk of misstatements that could affect the balance sheet.

We consider the risk applies to the valuation of market based property assets, including other land and buildings, council dwellings and investment properties.

##### What did we do?

Our approach focused on:

- ▶ The adequacy of the scope of the work performed by the Council's valuers, their professional capabilities and the results of their work;
- ▶ The use of EY valuation specialists to review a sample of market based property assets valuations
- ▶ Sample testing property values to corroborate key assumptions used by the valuer in performing their valuations;
- ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Consideration of useful economic lives in the most recent valuation; and
- ▶ Testing that accounting entries had been correctly processed in the financial statements.

##### What are our conclusions?

Our work in this area is still in progress and is therefore subject to Manager and Partner review.

- For land and other buildings, we have selected seven samples for testing totalling £43.3 million. Six of these have been tested by the audit team and one has been reviewed by EY Real Estates (Cavendish Road Depot). The Council's response on the query raised relating to the area used in the independent valuation of the Cavendish Road Depot has been recently received and indicates that an element of land (used as a car park) may have been omitted from the valuation. We are currently working with the Council and our EY Real Estates team to consider the potential impact of this on the Council's accounts and whether there may be any other assets which have not been included in the Council's accounts.
- For council dwellings, we tested 62 out of the 276 beacons group. Our testing has not identified any issues.
- For investment properties, we have selected 11 samples for testing totalling £14.8 million. Ten of these were tested by the audit team and one has been reviewed by EY Real Estates. Our testing indicates that the valuations are reasonable.
- Our consideration of the work, professional capabilities and the results of the Council's valuers did not identify issues.
- Our work on the assets not subjected to valuation in 2020/21 did not identify any issues.
- Appropriate accounting entries have been adopted within the financial statements for valuations of the assets.

## 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.

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

##### Valuation of property, plant and equipment assets under depreciated replacement cost model - inherent risk

Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. For specialist assets valued using depreciated replacement cost (DRC) the valuations are based on build cost data and other market-based evidence.

As the Council's DRC asset base is significant (£42.2 million) as of 31 March 2021, and the outputs from the valuer are subject to estimation, there is a higher inherent risk that the valuation of these assets may be under/overstated or the associated accounting entries incorrectly posted.

#### What did we do?

We have:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Tested accounting entries, ensuring these have been correctly processed in the financial statements.

#### Our conclusions are:

- Our consideration of the professional capabilities and the results of the Council's valuers work provided us with sufficient assurance that we could rely on their work as a management specialist.
- We have tested three assets valued under DRC which have a total value of £21.4 million. Our testing has not identified any significant issues.
- Accounting entries within the financial statements were appropriate.

This work is subject to Manager and Partner review.

## 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.

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

##### Queensway lease accounting treatment - inherent risk

In preparing the Queensway LLP financial statements significant judgements are taken in relation to the lease accounting treatment. In our 2019/20 audit, a number of amendments were made to the group financial statements due to the incorrect split of lease repayment amounts between principal and interest in the model used.

We have therefore identified a risk that errors may also be made in the current year

#### What did we do?

We have:

- ▶ Reviewed the lease accounting treatment adopted including following up on points identified during the 2019/20 audit. In particular, we considered the interest rates applied to the leasing and borrowing elements of the lease agreement and the split of repayment of principal and interest.
- ▶ Considered whether the appropriate accounting journal entries are consistent with the prevailing accounting standard IAS 17 Leases.
- ▶ Reviewed the relevant lease disclosures in the Council's financial statements.

#### Our conclusions are:

We noted difference amounting to £641k in the recording of the finance lease liability which is related to differences in the interest rates applied in the calculation. The Council has adjusted this difference.



## 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.

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

##### **Pension liability valuation and disclosures - inherent risk**

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021, this totalled £61.58 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What did we do?

We have:

- ▶ Liaised with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Stevenage Borough Council;
- ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering the review of this by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- ▶ Considered the nature and value of level 3 investments held by Hertfordshire Pension Fund and the proportion of the overall Fund relating to Stevenage Borough Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021.

#### Our conclusions are:

We have identified three misstatements affecting the pension liability amount. Two of the three misstatements has been adjusted by management as follows:

- Difference in the opening balance, £612k
- Difference between the pension liability and IAS 19 actuarial report, £1.5 million

We also received the Pension Fund Assurance letter from the auditor of Hertfordshire Pension Fund. This highlighted a difference in the contributions and investment assets amounting to a net difference of £318k. The difference has not been adjusted for by management.

The accounting entries and pension liability related disclosures in the financial statements were appropriate.

# 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.

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

#### Recognition of grant income associated with Covid-19

The Council has received additional funding in the form of grants as a result of the Covid-19. There is the potential for the recognition and treatment of these grants (including business rate related grants) to be incorrectly accounted for or manipulated to improve the reported position.

### What did we do?

We have:

- ▶ Considered the revenue and capital grants received by the Council;
- ▶ Assessed the potential for manipulation of individual grant streams (including those related to business rates); and
- ▶ Carried out sample testing to ensure the accounting treatment and recognition applied to grant income is appropriate.

#### Our conclusions are:

Based on the grant testing performed during the audit we did not identify any errors or management bias in relation to recognition of grant income related to Covid-19.

This work is subject to Partner review.

## 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.

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

##### Going concern disclosures

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

#### What did we do?

##### We have:

Obtained, reviewed management's going concern assessment, focusing on the reasonableness of the financial projections, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, including those related to reductions in fees and charges.

Considered the adequacy of the revised disclosure and its consistency with the going concern assessment and our audit procedures.

##### Our conclusions are:

The Council has provided a going concern cash flow forecast covering a period to 31 March 2025. Our review and assessment of this is currently in progress. The cash flow forecast shows a cash and investment balance of £26.9 million as at 31 March 2025.

Our review of the final version of the financial statements will evaluate the updated going concern disclosures included by the Council.

## 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.

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

##### Infrastructure assets

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets which are held at depreciated historic cost. Following more detailed consideration, it was identified that although local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be considering the Cipfa Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore are not derecognising the old asset or component. As a consequence, the gross cost and gross accumulated depreciation are continually increasing and the notes to the financial statements may be misstated where the expenditure is a replacement for an asset/component that is not fully depreciated.

Cipfa established a task and finish group to address this issue. The Department to Levelling Up, Housing and Communities (DLUHC) and Cipfa have worked on a sector wide approach to resolution of the reporting of infrastructure assets. Following consultations with FRAB, local councils, ICAEW and external audit firms, a resolution has been agreed which has two elements:

- 1) Cipfa have issued an adaptation to the Code of Practice on Local Authority Accounting.
- 2) DLUHC have issued a Statutory Instrument (SI) (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022).

The Code allows for infrastructure assets to be reported in the notes to the accounts on a net basis. The SI allows for the infrastructure assets opening balance to be brought forward without amendment and determines the carrying amount to be derecognised in respect of replaced components to be nil.

The Council has applied both the Code adaptation and SI to the 2019/20 and 2020/21 financial statements.

As at 31 March 2021, infrastructure assets amounted to £3.0 million.

#### What did we do?

##### We have:

- ▶ Agreed the opening balance for infrastructure assets to the closing balance on the prior year audited financial statements.
- ▶ Where material, we have tested in year additions of infrastructure assets to ensure they are supported and correctly reflected in the accounts.
- ▶ Performed a reasonableness check to determine whether the economic useful lives used by management to calculate depreciation were appropriate and obtain an understanding of how these had been determined.
- ▶ Compared the depreciation charge included in the financial statements to an estimated depreciation charge using the CIPFA example useful economic lives.
- ▶ Reviewed updated accounting disclosure to ensure they are in line with the requirement of amended CIPFA code of practice and accurately reflected the Council's practices.

##### Findings and conclusion:

The Council has adopted the statutory instruments and CIPFA Code adaptation. The infrastructure assets of the Council have been presented at net book value in the amended statement of accounts.

Our testing of depreciation did not identify any significant differences.

Additions on infrastructure assets is included in the additions testing population. However, no additions related to infrastructure assets has been selected for testing. Total infrastructure asset additions are immaterial.

## 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.

What is the risk/area of focus?	What did we do?
<p><b>Non-compliance with minimum Decent Homes Standards</b></p> <p>In 2022, the Housing Regulator received information that raises concerns about the Council's housing health and safety compliance matters.</p> <p>The Council has been working with the regulator since the receipt of the information and has received a response to the action plan they have put in place to address the areas of non-compliance identified.</p> <p>We have considered the impact of the non-compliance in the following areas:</p> <ul style="list-style-type: none"> <li>• Valuation of the council's dwellings</li> <li>• Provisions</li> </ul>	<p><b>We have:</b></p> <p><i>Valuation of council dwellings:</i></p> <ul style="list-style-type: none"> <li>▶ Obtained confirmation from Savills (Council's valuer) regarding how the quality of dwellings has been considered in their valuations.</li> <li>▶ Confirmed the date of the last physical inspection of the council dwellings, which is February 2020</li> <li>▶ Obtained input from our internal valuers to assess the reasonableness of the responses of the valuer</li> </ul> <p><i>Provisions:</i></p> <ul style="list-style-type: none"> <li>▶ Considered the requirements of CIPFA Code of Practice on Local Authority Accounting</li> <li>▶ Obtained 2020/21 Local Authority Housing Standard return and reviewed the costs to bring council dwellings that do not meet the decent home criteria up to standard</li> <li>▶ Assessed whether the related cost are revenue or capital in nature.</li> </ul> <p><b>Findings and conclusion:</b></p> <p>Based on the procedures performed, the non-compliance does not have significant impact on the valuation of dwellings, as the quality and condition of the stocks have been considered in the valuation undertaken by the Council's valuer (Savills).</p> <p>In addition, no provision is required as the cost to bring dwellings that do not meet the decent home criteria up to standard are largely capital in nature.</p> <p>This conclusion is has been consistent with our prior year work.</p>



03

## 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.

Until our audit is fully complete, further differences may be identified.

## Summary of unadjusted audit differences

The following audit differences, above our reporting threshold of £102k, have not been amended for by management in the 2020/21 statement of accounts:

- *Projected misstatements:*
  - Overstatement of parking income, £187k - one sample in our testing of the parking income has been failed as the parking has not been renewed based on the credit note support. This is the extrapolated value of the error on the population not tested.
  - Overstatement of fees and charges, £194k - one sample in our testing of the fees and charges could not be supported. This is the extrapolated value of the error on the total population.
- *Factual misstatements:*
  - Overstatement of other services and support recharges expenses, £185k - this is related to the error in the recording of a portion of the rent expense for the period covering 2021/22
  - Unrecorded liability on the acquisition of laptops, £188k - this is related to an error in the recording of a liability for laptops acquired in 2020/21 resulting in an understatement in the assets and liability,
  - Difference in the pension fund assets in the IAS 19 Report, £318k - this is related to the difference in the investments as reported in the final pension fund accounts (and reported by the pension fund auditor) compared to the pension fund assets in the IAS 19 Report and resulted in an overstatement in the pension liability.
  - Difference in the Council Tax income, £141k - difference is related to the reconciliation of the Council Tax income with an understatement of income.

We will seek representations from management in the management letter of representation for all unadjusted audit differences.



# Audit Differences

## Summary of adjusted audit differences

In total there were five audit adjustments that have been amended for by management in the 2020/21 statement of accounts. We report to the Audit Committee significant audit differences (above our performance materiality threshold of £1.0 million) that have been amended for in the financial statements. The significant audit differences that have been adjusted for include:

- Asset held for sale - classification of Marshgate car park to asset held for sale amounting to £1.7 million
- Pension liability - difference in the pension liability recorded in the pension fund accounts and as per the IAS 19 actuarial report. The pension liability increased by £1.5 million.

Other audit differences that were above our reporting threshold of £100k for unadjusted differences, but below our performance materiality threshold of £1.0 million which have been amended for in the 2020/21 statement of accounts include the following:

- Difference in the opening balance of the pension liability
- Difference in the Queensway finance leases
- Difference in the debtors account related to the Queensway lease

In addition, there were numerous disclosure misstatements in the draft 2019/20 statement of accounts that have been corrected.

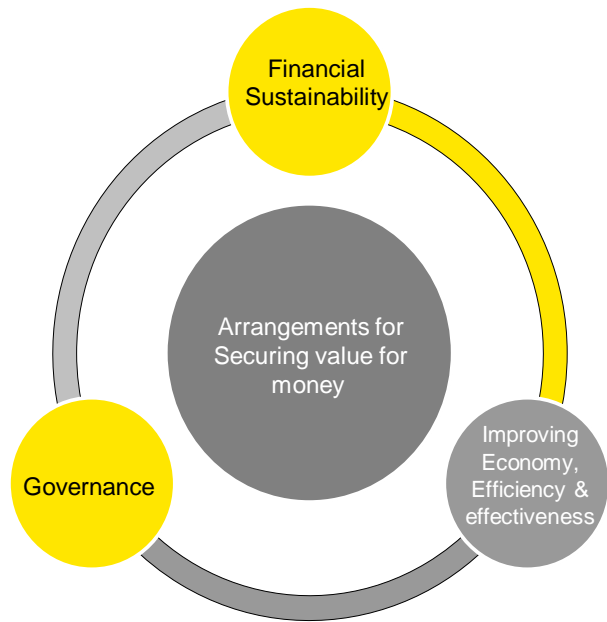




## 04 Value for Money Risks



# Value for Money



## Auditor responsibilities

The 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.

## The Council's responsibilities for value for money

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 of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Status of our VFM work

We have completed our risk assessment and have not identified any significant risks. We have considered your arrangements related to financial sustainability, governance, and improving economy, efficiency and effectiveness as part of this risk assessment.

We anticipate reporting our commentary on the arrangements in place in our Auditor's Annual Report which we will issue alongside our audit report.



## 05 Other reporting issues

## Other reporting issues

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

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

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

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

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

### Whole of Government Accounts

As the Council is below the £2bn threshold set by the NAO for detailed procedures to be undertaken on the Council's WGA submission and the NAO has now confirmed that they do not require any additional procedures on bodies below the £2bn threshold we will issue our WGA assurance statement to the NAO once we have issued our opinion.

## Other reporting issues

# Other reporting issues

### 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 Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the 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 which required any such actions.

### Other matters

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

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.



06

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

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

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

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your 2020/21 financial statements of which you are not aware.



07

Independence



## Independence

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### Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 26 January 2023.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Accounts Audit Committee on 28 February 2024.

### Relationships, services and related threats and safeguards

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

There are no relationships from 01 April 2020 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

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2021. The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Proposed Fee 2020/21	Final Fee 2019/20
	£	£
Scale fee - Code Work	49,283	49,283
Scale fee variation	TBC (a)	99,292 (b)
<b>Total audit fee</b>	<b>TBC (a)</b>	<b>148,575</b>
Other non-audit services (Housing Benefits Certification)	51,000	38,800
<b>Total all fees</b>	<b>TBC</b>	<b>187,375</b>

*All fees exclude VAT*

### Notes:

- a) We do not believe the existing scale fees provide a clear link between public sector bodies risk and complexity and the increased regulatory requirements to deliver an ISA compliant audit. We will propose an increase to the scale fee to recognise this, in the range of £110k to £140k. This proposed increase will be determined by PSAA following the conclusion of our audit. The key factors impacting the scale fee are:
1. **Status of sector.** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
    - ▶ To address this risk our procedures now entail testing higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.

## Fees (continued)

2. **Audit of estimates.** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
    - ▶ To address these findings, our required procedures now entail testing higher samples sizes, increased requirements for corroborative evidence to support the assumptions, use of our internal specialists and increased correspondence with external specialists.
  3. **Regulatory environment.** Other pressures come from the changing regulatory landscape and audit market dynamics:
    - ▶ Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
    - ▶ This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting requirements plus changes in auditing and accounting standards. In addition. the regulatory lens on Local Audit specifically, is greater.
- b) This is the amount scale fee variation for the 2019/20 audit to reflect the issues noted above as well as specific in year risks resulting in additional audit work which has been determined by PSAA.

### Next steps

We will share and discuss the detail of the proposed scale fee variation for 2020/21 with the Chief Financial Officer once the audit is complete. We will submit our proposed scale fee variation to PSAA for their determination.

We will communicate with this Audit Committee at the next available opportunity the outcome of this process.

## Other communications

### EY Transparency Report 2023

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 issued in October 2023:

[EY UK 2023 Transparency Report | EY UK](#)





A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

# 08 Appendices



## Appendix A

# Required communications with the Audit Committee




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

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the 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.	Audit Plan - January 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - January 2023
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 - February 2024

# Appendix A




		Our Reporting to you
Required communications	 What is reported?	 When and where
Major Local Authorities	<p>For the audits of financial statements of public interest entities our written communications to the Audit Committee include:</p> <ul style="list-style-type: none"> <li>▶ A declaration of independence</li> <li>▶ The identity of each key audit partner</li> <li>▶ The use of non-member firms or external specialists and confirmation of their independence</li> <li>▶ The nature and frequency of communications</li> <li>▶ A description of the scope and timing of the audit</li> <li>▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>▶ Materiality</li> <li>▶ Any going concern issues identified</li> <li>▶ Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee</li> <li>▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>▶ The valuation methods used and any changes to these including first year audits</li> <li>▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>▶ The completeness of documentation and explanations received</li> <li>▶ Any significant difficulties encountered in the course of the audit</li> <li>▶ Any significant matters discussed with management</li> <li>▶ Any other matters considered significant</li> </ul>	<p>Audit Plan - January 2023 and Audit Results Report - February 2024</p>

## 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</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - February 2024
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</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>	Audit Results Report - February 2024
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>	Audit Results Report - February 2024
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 Authority</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 Authority, 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 Committee responsibility.</li> </ul>	Audit Results Report - February 2024






## 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 Authority'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, Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report - February 2024
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 judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	Audit Plan - January 2023 and Audit Results Report - February 2024

# Appendix A

		Our Reporting to you
Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> <li>▶ Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Details of any contingent fee arrangements for non-audit services</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
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>	We have received all requested confirmations
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>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
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 - February 2024

## Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<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>	Audit Results Report - February 2024
Written representations	<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 - February 2024
Material inconsistencies or misstatements	<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 - February 2024
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report - February 2024
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - January 2023 and Audit Results Report - February 2024

# Draft Management representation letter

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Debbie Hanson  
Ernst & Young  
400 Capability Green  
Luton  
LU1 3LU

Dear Debbie,

This letter of representations is provided in connection with your audit of the consolidated Group and Council financial statements of Stevenage Borough Council ("the Group and Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Stevenage Borough Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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

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

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group the Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and 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 Group and Council in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance

# Draft Management representation letter

## Management Rep Letter

with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule (see Appendix 1), accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because overall we believe they are not material to the financial statements.
6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognised exchange.

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

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), 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 consolidated and Council's financial statements;
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated and Council financial statements and, but compliance with which may be fundamental to the operations of the Group and 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. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

# Draft Management representation letter

## Management Rep Letter

- Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
  3. We have made available to you all minutes of the meetings of the Group, and committees (including Queensway Properties LLP Board) (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: **[list date]** and of the Council, and committees (including Executive and Council) (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: **[list date]**.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year 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 consolidated and Council financial statements.
  5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
  7. From the date of our last management representation letter, 28 April 2023, through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.
- D. Liabilities and Contingencies**
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
  2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
  3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 28 to the consolidated and Council financial statements all guarantees that we have given to third parties.

# Management representation letter

## Management Rep Letter

### E. Going Concern

1. Note 32 to the Council financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than those events described in Note 6 to the consolidated and Council financial statements, there have been no events, including events related to the COVID-19 pandemic subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

### G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

### H. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Forward by Chief Executive, Narrative Statement, Glossary of Terms and Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

### I. Reserves

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

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

1. We agree with the findings of the specialists that we engaged to evaluate for the valuation of property, plant and equipment and investment properties; valuation of the pension liability; valuation of the business rates provision; and valuation of the Queensway property asset and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### K. Estimates

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic on 31 March 2021 of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the property, plant and equipment and investment property valuations, business rates appeal provision and pension liabilities valuation.
3. We confirm that the significant assumptions used in making the above estimates appropriately reflect our intent and ability to carry out the specific courses of on behalf of the entity.

# Draft Management representation letter

## Management Rep Letter

4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic on 31 March 2021, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) .We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council financial statements due to subsequent events, including due to the COVID-19 pandemic.

5. We confirm that appropriate specialized skills or expertise has been applied in making the above estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council financial statements, including due to the COVID-19 pandemic.

### L. Retirement benefits

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

### M. Non-compliance with minimum decent home standards

1. In 2022, the Council was subject to a referral to the Housing Regulator relating to compliance matters. Following our response to this and development of the accompanying action plan, no action was taken or required by the Regulator. However, we have been providing regular updates to the Regulator on progress against that action plan.

2. We have considered the impact of the referral with the valuation of council dwellings and whether any provision for remedial works is required. The referral has no significant impact on either of these areas as the quality and condition of the stocks have been considered in the valuation undertaken by Savills. In addition, no provision is required as the cost to bring dwellings that do not meet the decent home criteria up to standard are largely capital in nature.

### N. Infrastructure Assets

1. The Council has elected to take up a statutory override relating to the accounting for highways infrastructure assets. The update provides that for all statements of accounts that are currently open up to 2024/25, authorities are not required to report gross book value and accumulated depreciation for infrastructure assets, because the information is may not faithfully represent what it purports to represent. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, our accounts do not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this may not faithfully represent the asset position to the users of the financial statements.

Yours faithfully,

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Strategic Director (Chief Financial Officer)

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(Chairman of the Audit Committee)



# Appendix A

## Draft Management representation letter

### Communication schedule for uncorrected misstatements

Entity: Stevenage Borough Council Period Ended: 31-Mar-2021 Currency: £

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							Income statement effect of the prior period		
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
(misstatements are recorded as journal entries with a description )			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable		
<b>Factual misstatements:</b>												
21 SBC		Other services and support recharges expenses										
		Other services expenditures							(185,047)			
		Payables and receipts in advance			185,047							
21 SBC		Unrecorded liability related to the invoice on the acquisition of laptops										
		PPE		161,260								
		VAT	26,877									
		Creditors			(188,136)							
21 SBC		Difference noted in agreeing Ci&E to reconciling amounts.										
		Debtor Accrual	141,000									
		Council Tax							(141,000)			
21 SBC		Difference in the pension fund assets as reported by the Pension Fund Auditor										
		Pension Liability			318,912							
		Actuarial gains/losses						(318,912)				
		Pension Reserve					(318,912)					
		Adjustment between accounting basis and funding basis					318,912					

Appendix A

# Draft Management representation letter

## Management Rep Letter

Projected misstatements:									
21 SBC	Difference in the parking income								
	Parking income							186,735	
	Debtors	(186,735)							
21 SBC	Other income - fees and charges								
	Other income - fees and charges							193,719	
	Debtors	(193,719)							
Judgmental misstatements:									
<b>Total of uncorrected misstatements before income tax</b>		(212,577)	161,260	315,823	0	0	(318,912)	54,407	0
<b>Total of uncorrected misstatements</b>		(212,577)	161,260	315,823	0	0	(318,912)	54,407	0
<b>Financial statement amounts</b>		81,585,000	860,738,000	41,285,000	305,445,000	595,593,000	(14,610,000)		
<b>Effect of uncorrected misstatements on FIS amounts</b>		-0.3%	0.0%	0.8%	0.0%	0.0%	-0.4%		0.0%
<b>Memo: Total of non-taxable items (marked 'X' above)</b>							0		0
<b>Uncorrected misstatements before income tax</b>							0.0%	54,407	0
<b>Less: Tax effect of misstatements at current year marginal rate</b>								0	0
<b>Uncorrected misstatements in income tax</b>								0	0
<b>Cumulative effect of uncorrected misstatements after tax but before turnaround</b>							-0.4%	54,407	0
<b>Turnaround effect of prior period uncorrected misstatements</b>									
<b>All factual and projected misstatements:</b>								0	0
<b>Judgmental misstatements (Note 3):</b>								0	0
<b>Cumulative effect of uncorrected misstatements, after turnaround effect</b>							-0.4%	54,407	
<b>Current year income before tax</b>									
<b>Current year income after tax</b>								(14,610,000)	



## Appendix C - Audit Report

# Draft audit report

This is an example report. Our audit report will not be completed and issued until the work and internal consultation are complete.

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEVENAGE BOROUGH COUNCIL

##### Opinion

We have audited the financial statements of Stevenage Borough Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 32 and G1 to G7 and the Expenditure and Funding Analysis on page 36.
- Housing Revenue Account (HRA) Income & Expenditure Statement, the Movement on the HRA Statement, and the related notes HRA 1 to HRA 6
- Collection Fund Statement 20/21 and the related notes CF 1 to CF 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 Stevenage Borough Council and the Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 Group 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.

##### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Strategic Director (Chief Financial Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Strategic Director (Chief Financial Officer) 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 Group's ability to continue as a going concern.

##### Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Strategic Director (Chief Financial Officer) is responsible for the other information contained within the statement of account.



# Appendix C - Audit Report

## Our opinion on the financial statements

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 Group and the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

## Responsibility of the Strategic Director (Chief Financial Officer)

As explained more fully in the Statement of the Strategic Director (Chief Financial Officer) Responsibilities set out on pages 33, the Strategic Director (Chief Financial Officer) is responsible for the preparation of the Statement of Accounts, which includes the Group 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 2020/21 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 Strategic Director (Chief Financial Officer) 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 Strategic Director (Chief Financial Officer) is responsible for assessing the Group and the Council'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 Group and the Council 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.



# Appendix C - Audit Report

## Our opinion on the financial statements

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales),
- 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, 2020 and 2021,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Council 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 Stevenage Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of [management/head of internal audit/those charged with governance/any other] 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 Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council policies, and through the inspection of employee handbooks and other information.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Council'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 incorrect capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of incorrect capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine. In addition, we also tested specific journal pairings relating to capital expenditures posted around year-end.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether Stevenage Borough 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 the Stevenage Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.



## Appendix C - Audit Report

### Our opinion on the financial statements

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

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

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

#### Certificate

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

Debbie Hanson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
City  
xx March 2024

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