Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **ADDITIONAL AUDIT COMMITTEE** **19 OCTOBER 2023** on the rising of Authority	**Agenda Item No:** 6 **Report No:** **AUD/140/23**

EXTERNAL AUDITORS' AUDIT RESULTS REPORT – 2020/21 ACCOUNTS

Presented by the Head of Finance

SUMMARY

Members of the Audit Committee considered the unaudited financial statements (Paper AUD/122/21) at the July 2021 Committee. This paper presents the external auditors' report to Members - the Audit Results Report (ARR) following conclusion of the 2020/21 audit of the Authority's Financial Accounts.

The draft Audit Results Report is set out in Appendix A to this report. The Audit is now complete, and as expressed the auditors expect to give an unqualified opinion. Paragraph 9 of this report highlights the auditor's intention to request a variation to the base fee of £14,337 with the general reasons for variation set out in the Audit Results Report at Appendix A to this report. However, the audit fee for 2020/21 has not yet been discussed and once officially received, officers will review any proposed fee variation and if appropriate, will contact Public Sector Audit Appointments (PSAA) to discuss any variation.

Members will recall that Ernst & Young were appointed as the Authority's external auditor for five years from 2018/19 to 2022/23, and have subsequently been re-appointed by PSAA as auditor for the five year contract to 2027/28.

RECOMMENDATION

Members Note (1) the draft 2020/21 External Auditors' Audit Results Report for the Authority set out in Appendix A to this report.

BACKGROUND

1 The role of the external auditor is to provide an independent assessment of how the Authority is discharging its responsibility for the stewardship of public money, an audit opinion upon the Authority's financial statements, as well as giving a view on proper arrangements within the Authority for securing economy, efficiency and effectiveness in the use of resources. The auditors' conclusions are reported in their Audit Results Report (ARR) which summarises their work and recommendations.

AUDIT RESULTS REPORT 2020/21

2 The Audit Results Report for 2020/21 is attached as Appendix A to this report. The auditors will take Members through their report. The auditors give an unqualified opinion on the financial statements, that they give a true and fair view of the financial position, and conclude that appropriate arrangements are in place in relation to the value for money conclusion.

3 In the Audit Plan, the Auditor identified a number of key areas of focus for our audit of the financial accounts:

- misstatements due to fraud or error;
- inappropriate capitalisation of revenue expenditure;
- pension liability valuation;
- valuation of land and buildings, including investment properties;
- going concern: compliance with ISA 570; and
- accounting for capital grants received in advance.

The ARR, pages 15-18, sets out in more detail the risks, judgements and testing that these areas focussed on.

Members will be aware of a number of areas that the Auditor identified as misstatements in the draft accounts that they believed should be recorded in the final financial statements. Whilst these errors can be classified as "known" differences, where values could be accurately quantified, most were based on assumptions or procedures previously agreed or accepted by the External Auditor, or as a result of the timing between production of draft accounts and the final versions where an item has now crystallised.

The adjustments are shown within the ARR, and the movement between draft accounts and final version is set out in more detail in the Financial Statements 2020/21 Audit Committee report (Paper AUD/139/23) on this agenda.

In most cases, the suggested adjustments were applied to the final accounts. There were two unadjusted differences that were the result of estimations, which officers considered but did not believe the accounts should be amended for, and these are also shown in the Auditors Report.

4 Any comments made by the Auditor should be viewed in the context of the whole internal control framework. The Authority has robust systems of financial control verified by Mazars (the Authority's internal auditors) who review the Authority's core systems. These systems are reviewed on a cyclical basis, and the most recent Internal Auditors Annual Report was presented to Audit Committee on 22 June 2023 (Paper AUD/133/23).

5 Further assurance is derived from the External Auditor who has carried out full substantive testing to address the risks identified in their Audit Plan and they have gained the required assurance to mitigate against a material misstatement in the Authority's financial statements.

6 There are no further matters to report that the Auditor believes should be brought to the attention of the Audit Committee.

ENVIRONMENTAL IMPLICATIONS

7 There are no environmental implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

8 There are no equality implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

9 Page 40 of the draft ARR sets out the auditor's fee for completion of their work which is set at £14,337. The auditor has highlighted they will be requesting a variation to this fee based upon the items set out in his note to the fee analysis. However, whilst there is a value of an additional fee of £45,564 the exact amount of the additional fee has yet to be determined and discussed with both Authority officers, or PSAA. The auditor has previously highlighted to Members that they feel the current scale fee is not appropriate to the work they are required to carry out. In their report in the 2020/21 Audit Plan (Paper AUD/120/21), they have stated they believe a reset of the scale fee from £14,337 to £55,180 would be required. Authority officers have not agreed with this.

Subsequently PSAA have determined the fees for 2021/22 was to remain at £14,337, with the 2022/23 fee increasing to £22,202. The fees for 2023/24 are currently out to consultation, although we are expecting a significant increase of up to three times this amount.

Once the fee variation has been received, Members will need to consider this and what if any representations they wish to make to PSAA regarding any variation to the fee. Points for Members to consider are:

- the risks identified and audit procedures required in respect of property valuation, value for money, and risks associated with the Authority's decision making would seem to be general purposes of an Annual Audit and not something that should be wrapped up in in additional fees unless the volume and complexity of such errors were so significant and beyond the norm than a reasonable body would expect;

- the length of time (and delay) taken in delivering the Audit that caused significant additional work for Authority staff through lack of audit personnel continuity and repeat queries. Whilst the Authority can accept some responsibility for this, due to changes to presentation that we previously agreed with the Auditor, the Authority would view this as an area that Ernst & Young should take more responsibility for and recognise ahead of claiming additional fees – (this is no reflection on the individuals who subsequently delivered the audit) but a critical assessment from the Authority's perspective of Ernst & Young's ability to plan and deploy sufficient resources in a timely manner for the audit contract, both current and past years, with ourselves and other authorities generally;

- the involvement of Ernst & Young Real Estates resulted in some repeat queries that were disclosed in previous years; additional costs incurred to the Authority as our appointed surveyors continued to respond to ongoing and intermittent queries (probably due to the resources point above) up to the end of August.

10 If Members accept the ARR then the Section 151 Officer and the Audit Committee Chairman will be required to sign off the accounts, as set out in Paper AUD/139/23, and the Letter of Representation set out at Appendix B to this report.

11 A full set of audited accounts will be published on the Authority's website when the Audit Director issues their formal opinion and the accounts are signed off.

HUMAN RESOURCE IMPLICATIONS

12 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

13 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

14 There are no risk management implications arising directly from the recommendations in this report.

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APPENDICES ATTACHED

Appendix A	External Auditors Audit Results Report 31 March 2021
Appendix B	Authority's Letter of Representation

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/122/21	Draft Unaudited Final Accounts 2020/21	22 July 2021
Audit Committee	AUD/121/21	Annual Report on the Work of Internal Audit 2020/21 and Audit Plan 2021/22	22 July 2021
Audit Committee	AUD/120/21	External Audit 2020/21 – Audit Plan	24 June 2021
Audit Committee	AUD/115/20	External Auditors' Annual Results Report - 2019/20 Accounts	17 December 2020

ABBREVIATIONS

ARR	Audit Results Report
PSAA	Public Sector Audit Appointments

Appendix A to Paper AUD/140/23

Lee Valley Regional Park Authority
Audit results report
Year ended 31 March 2021

11 October 2023

Private and Confidential

11 October 2023

Lee Valley Regional Park Authority
Myddelton House, Bulls Cross
Enfield, Middlesex
EN2 9HG

Dear Audit Committee Members

2020/21 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 19 October 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 19 October 2023.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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

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

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

01 Executive Summary

Executive Summary

Scope update

In our Audit Planning Report presented to the 24 June 2021 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: We updated our planning materiality using the draft statement of accounts for 2020/21. Based on our materiality measure of 2% of non-current assets, the updated overall materiality was £4.496 million (£4.535 million per the Audit Planning Report). The updated performance materiality at 75% of overall materiality was ££3.372 million (£3.401 million per the Audit Planning Report), and an updated threshold for reporting misstatements of £0.224 million (£0.226 million per the Audit planning report).

  For income and expenditure, for which we set a lower level of materiality for those areas impacting the levy, we also updated materiality levels using the draft statement of accounts 2020/21. The updated overall materiality at 2% of gross expenditure was £0.448 million (£0.394 million per the Audit Planning Report). The updated performance materiality at 75% of overall materiality was £0.366 million (0.296 million per the Audit Planning Report). The updated threshold for reporting misstatements was £0.024 million (£0.020 million per the Audit Planning Report).

- Change in Engagement Partner: The audit of Lee Valley Regional Park Authority was transferred to Debbie Hanson from Neil Harris with effect from 9 September 2022.

- Changes to the scope of the audit: Subsequent to our Audit Planning Report dated 24 June 2021, we made changes to the following risks identified in our risk assessment:

  - Risk in revenue recognition (previously reported as significant risk) - risk reduced. We initially assigned a significant risk on revenue recognition due to the requirement of ISA 240 to presume that revenue might be misstated due to improper revenue recognition. At year end, we performed a review of the income from fees and charges and noted no unusual transactions. Hence, we reduced the scope of the risk to moderate.

  - Accounting for Covid-19 related government grants (previously reported as higher inherent risk) – risk reduced. Accounting for Covid-19 related government grants was identified as a risk in the indicative audit planning report due to the lack of clarity on the restrictions and conditions in relation to grants received by the Authority. However, since this date, details of grants have been confirmed. On revisiting our risk assessment we therefore reduced the risk to moderate.

  - We identified a new higher inherent risk in relation to accounting for capital grants received in advance. Our review of the material balance of capital grants received in advance identified that capital grants were being recognised on the basis of the passage of time rather than in relation to the fulfilment of the relevant conditions, as required by the relevant accounting standard. Hence, we recognised a higher inherent risk in this area.

Executive Summary

Status of the audit

Our audit work in respect of the Authority opinion is substantially complete, subject to Partner review of the completed work. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

Completion procedures:

- Subsequent events procedures
- Obtaining and checking final signed accounts
- Obtaining signed management representation letter

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Executive Summary

Status of the audit - Value for Money

At the time of our Audit Planning Report, we were yet to commence with our detailed value for money (VFM) risk assessment. We reported that we initially identified a significant risk on the arrangements regarding the Ice Centre Capital Development Project. We have now completed this work and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

As a result, we have no matters to report by exception in the auditor's report (see Section 03). We will include our detailed commentary on our VFM work in our Auditor's Annual Report which will be issued to the Authority within three months of the date of the final 2020/21 audit opinion.

Audit differences

- Our audit identified a number of uncorrected misstatements resulting in the net overstatement of non-current assets of £0.045 million, net overstatement of reserves of £0.045 million, net understatement of other comprehensive income of £0.045 million and net understatement of expenditure of £0.045 million.
- We also identified a number of misstatements which Management agreed to correct:

  Capital grants received in advance

  - The balance of capital grants received in advance was misstatement due to the incorrect assessment of the 'conditions' attached to capital grants received in 2020/21 and prior years. Consequently, the impact in 2020/21 was an overstatement in capital grants received in advance of £16.474 million, overstatement in income of £0.908 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £16.536 million.
  - The impact of the above error in 2019/20 was an overstatement in capital grants received in advance of £17.382 million, overstatement in income of £0.172 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £17.442 million.
  - The impact in 2018/19 balance sheet was an overstatement in capital grants received in advance of £17.554 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £17.615 million.
  - Since the error has a material retrospective impact on the balances, the Authority is required by the CIPFA Code to present an additional balance sheet at the beginning of the preceding period (third balance sheet). Management have corrected the errors and included the corrected figures of the third balance sheet in the final statement of accounts.

  Transfer between reserves

  - Management failed to transfer the excess of depreciation based on the revalued amount over historical cost depreciation from the Revaluation Reserve to the Capital Adjustment Account as required by CIPFA Capital Accounting. This resulted in the overstatement of revaluation reserve and understatement of Capital Adjustment Account by £12.162 million.

  Property, plant and equipment

  - Capital additions for the new Ice Centre were incorrectly recorded under other land and buildings instead of assets under construction although the construction of the asset was still in progress at year end. This resulted in the overstatement of other land and buildings and understatement of assets under construction by £0.604 million.
  - An asset valued at £0.893 million was incorrectly classified as community assets instead of other land and buildings, and a component of an asset valued at £2.55 million was incorrectly classified as vehicle, plant and equipment instead of other land and buildings. This resulted in the overstatement of community assets by £0.893 million, an overstatement of vehicle, plant and equipment by £2.55 million and understatement in other land and buildings by £3.443 million.

Executive Summary

Audit differences

- We also identified a number of misstatements which Management agreed to correct (continued):

  Property, plant and equipment (continued)

  - Differences were noted between the fixed assets register and the valuer's report. The net impact is an overstatement of other land and buildings and the revaluation reserve by £0.7 million.
  - Management incorrectly presented the write-off of the depreciation on revaluated assets in 2020/21 which was not in line with the CIPFA Capital Accounting manual, although no issues were noted in the calculations This resulted in an overstatement of gross cost and accumulated depreciation by £3.453 million. This has been corrected by management and does not impact the balance of property, plant and equipment in the balance sheet which is reported at net book value.

  Pension Liability

  - The pension fund auditor found material differences in the net assets of the fund used in the initial IAS 19 report and the audited pension fund accounts. As a result, the Authority obtained a revised IAS 19 report which reflects the more accurate net assets position. The impact is a decrease in net pension liability and pension reserve deficit by £1.545 million.

  Contingent Liability

  - The Authority initially disclosed a contingent liability in the draft accounts relating to the potential cash outflow for a case with Lee Valley Leisure Trust. This case has been settled post-year end for £0.970 million. Any amounts still receivable from the Trust or payable to the Trust as a result of transactions prior to yearend were also written off. The overall impact is a net understatement in expenses and liabilities of £0.888 million.

  Fees, charges and other income

  - Management incorrectly recorded internal recharges as an increase in income and increase in expenditure thereby overstating both balances by £0.151 million.

  Comprehensive Income and Expenditure Statement

  - The 2019/20 comparative figures in the 2020/21 accounts are not in line with the 2019/20 audited accounts due to an error in picking up the comparative figures in preparing the statement of accounts. Management have corrected the figures in the final accounts.

- We also noted other disclosure misstatements which Management agreed to correct.

See further details of the adjustments in Section 04. As our audit work is not yet fully complete further issues may arise on completion of the remaining procedures and Partner review.

Executive Summary

Other reporting issues

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

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the National Audit Office (NAO). The Authority is below the threshold set by the NAO for detailed procedures and therefore we perform limited work on the WGA return.

We plan to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts alongside the issue of our audit opinion.

Control observations

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you internal controls that require improvement and have three matters to report to you. Please refer to Section 07 for our detailed findings and recommendations.

Independence

Please refer to Section 09 for our update on Independence.

Executive Summary

Areas of audit focus

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

Area of audit focus	Findings & Conclusions
Misstatements due to fraud or error	We have completed our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management override of controls.
Inappropriate capitalisation of revenue expenditure	We have completed our planned procedures in this area. No issues noted with regard to the appropriateness of recording the transactions as 'capital'. However, we did identify classification errors as noted below: ▸ An asset valued at £0.893 million was incorrectly classified as Community Assets instead of Land and Buildings. This resulted in the overstatement of Community Assets and understatement in Land and Buildings by £0.893 million. ▸ Capital additions for the new Ice Centre were incorrectly recorded under Land and Buildings instead of Assets Under Construction although the construction of the asset was still in progress at year end. This resulted in the overstatement of Land and Buildings and understatement of Assets Under Construction by £0.604 million.
Pension liability valuation	We have completed our planned procedures in this area. We have identified the misstatements below: ▸ The pension fund auditor found material differences in the net assets of the fund used in the initial IAS 19 report and the audited pension fund accounts. As a result, the Authority obtained a revised IAS 19 report which reflects the more accurate net assets position. The impact is a decrease in net pension liability and pension reserve deficit by £1.545 million.
Valuation of land and buildings, including investment properties	We have completed our planned procedures in this area. We have identified the misstatements below: ▸ A component of an asset valued at £2.55 million was incorrectly classified as vehicle, plant and equipment instead of other land and buildings. This resulted in the overstatement of vehicle, plant and equipment and understatement in other land and buildings by £2.55 million. ▸ Differences were noted between the fixed assets register and the valuer's report. The net impact is an overstatement of other land and buildings and evaluation reserve by £0.7 million. ▸ Management also failed to write-off a portion of the depreciation charged in 2020/21 which is not in line with the CIPFA Capital Accounting manual. This resulted in an overstatement of gross cost and accumulated depreciation by £3.453 million. This does not impact the balance of property, plant and equipment.

Executive Summary

Areas of audit focus

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

Area of audit focus	Findings & Conclusions
Valuation of land and buildings, including investment properties (continued)	Management failed to transfer the excess of depreciation based on revalued amount over historical cost depreciation as required by CIPFA Capital Accounting from the revaluation reserve to the capital adjustment account. This resulted in the overstatement of the revaluation reserve and understatement of the capital adjustment account by £12.162 million.
Going concern: Compliance with ISA 570	We are yet to complete our planned procedures in this area. A going concern assessment and cash flow forecast are yet to be received from Management.
Accounting for capital grants received in advance	We have completed our planned procedures on this area. We have identified the misstatements below: ▸ The balance of capital grants received in advance was misstatement due to the incorrect assessment of the 'conditions' attached to capital grants received in 2020/21 and prior years. Consequently, the impact in 2020/21 was an overstatement in capital grants received in advance of £16.474 million, overstatement in income of £0.908 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £16.536 million. ▸ The impact of the above error in 2019/20 was an overstatement in capital grants received in advance of £17.382 million, overstatement in income of £0.172 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £17.442 million. ▸ The impact in 2018/19 balance sheet was an overstatement in capital grants received in advance of £17.554 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £17.615 million. ▸ Since the error has a material retrospective impact on the balances, the Authority is required by the CIPFA Code to present an additional balance sheet at the beginning of the preceding period (third balance sheet). Management have corrected the errors and included the corrected figures of the third balance sheet in the final statement of accounts.

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

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

03 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

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

What judgements are we focused on?

We focused our testing on accounting estimates which include pension liability and property valuation. We also performed mandatory procedures including testing of journal entries. We identified a specific fraud risks relate to the inappropriate capitalisation of expenditure and details of our response to this risk are set out on the next page.

What did we do?

This is a risk that we recognise on all engagements. Our overall response to this for Lee Valley Regional Park Authority was:

- Assessment to identify fraud risks during the planning stages.
- Inquired management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimates for evidence of management bias and evaluating the business rationale for significant and unusual transactions.
- We have utilised our data analytics capabilities to assist with our work.

What are our conclusions?

We have completed our audit work in respect of journal entries, estimates and unusual transactions.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

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

Significant risk

Inappropriate capitalisation of revenue expenditure

What is the risk?

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

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

For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition. We will undertake specific testing to address this risk.

What judgements are we focused on?

Whether expenditure which management have classified expenditure as capital in nature meets the definition of capital in line with IAS16.

What did we do?

We obtained the listings of capital additions during the year and selected a sample of transactions for testing. We then checked if these are correctly classified as capital in accordance with the CIPFA code, and whether the value recorded was correct.

What are our conclusions?

We tested a sample of 14 additions. No issues noted with regard to the appropriateness of recording the transactions as 'capital'.

However, we have identified a classification error in recording the additions in appropriate asset categories. All of the 14 samples tested were incorrectly classified. The impact of this was that:

- An asset valued at £0.893 million was incorrectly classified as a community assets instead of other land and buildings. This resulted in the overstatement of community assets and understatement in other land and buildings by £0.893 million.
- Capital additions for the new Ice Centre were incorrectly recorded under other land and buildings instead of assets under construction although the construction of the asset was still in progress at year end. This resulted in the overstatement of other land and buildings and understatement of assets under construction by £0.604 million.

All samples tested passed the capitalisation criteria for recording an expense as capital expenditure. Total sample tested was £1.1 million out of the total additions of £1.3 million. Therefore, the untested balance was only £0.2 million, and we are satisfied there is no risk of material misstatement in relation to the untested balance.

Significant risk

Risk of error in the valuation of property, including investment properties

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. The management and maintenance of assets also drives the strategy and operational objectives of the Authority. Material judgemental inputs and estimation techniques are required for assets (particularly the six Olympic sport park venues) which remain significant and highly specialised. The economic uncertainty currently being experienced may affect investment values for assets held (including both property assets and those held by pension funds). Consequently we may see unusual fluctuations in the values of certain assets. ISAs(UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates which we are likely to do with specialist support from our EY real estates team.

What judgements are we focused on?

Whether the inputs used in valuation are appropriate. Where there are differences in inputs, we assessed if the impact on the valuation is material.

What did we do?

We have:

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of work performed, their professional capabilities and results of their work;
- Sent seven land and building assets and three investment property assets to EYRE real estates for review, and selected one additional land and building asset for review by the core team;
- Tested inputs of the samples identified to ensure that they are appropriate and supportable;
- Assessed whether key assumptions or the valuation methodology for other assets have changed and understanding the rationale for the valuation method used;
- Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; and
- Tested whether the accounting entries have been correctly processed in the financial statements.

What are our conclusions?

We have completed our planned procedures in this area. We have identified the misstatements below which Management agreed to correct:

- A component of an asset valued at £2.55 million was incorrectly classified as vehicle, plant and equipment (VPE) instead of other land and buildings (OL&B). This resulted in the overstatement of VPE and understatement in OL&B by £2.55 million.
- Differences were noted between the fixed assets register and the valuer's report. The net impact is an overstatement of OL&B and the revaluation reserve by £0.7 million.
- Management also failed to write-off a portion of the depreciation charged in 2020/21 which is not in line with the CIPFA Capital Accounting manual. This resulted in an overstatement of gross cost and accumulated depreciation by £3.453 million.
- Management incorrectly presented the write-off of the depreciation on revaluated assets in 2020/21 which was not in line with the CIPFA Capital Accounting manual, although no issues were noted in the calculations This resulted in an overstatement of gross cost and accumulated depreciation by £3.453 million. This has been corrected by management and does not impact the balance of property, plant and equipment in the balance sheet which is reported at net book value.

We also identified two differences which Management opted not to correct due to the amount involved: Depreciation is overstated by £0.325 million due to the use of asset lives which were not in line with the accounting policy and incorrect depreciation rates; the Wildlife Discovery Centre was not revalued during the year. Our estimate of the potential impact of this is that the current value may be £0.36 million less than the net book value per the Authority's records.

Inherent risks and other areas of audit focus

What is the risk/area of focus?	What have we done and our conclusions?
Pension liability valuation The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Lee Valley Regional Park Authority. The Authority's pension fund deficit is a material estimated balance and the Code requires that this net liability be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled £26.9 million. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the London Pension Fund Authority. 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	To address this risk, we have carried out a range of procedures including: ▸ Liaising with the auditors of the Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Lee Valley Regional Park Authority ▸ Assessing the work of the Pension Fund actuary (Barnett Waddingham) 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 reviews of this undertaken by the EY actuarial team; ▸ Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19. ISA540 (revised) requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We employed the services of an EY Pensions specialist to review the Authority's IAS19 reports and run a parallel actuarial model which was compared to that produced by the Authority's actuary. We reviewed the EY Pensions specialist's report and concluded that there are no material differences in the balances calculated by the actuary and the estimated balance calculated by the EY Pensions specialist. The pension fund auditor found material differences in the net assets of the fund used in the initial IAS 19 report and the audited pension fund accounts. As a result, the Authority obtained a revised IAS 19 report which reflects the more accurate net assets position. The impact of this is a decrease in net pension liability and pension reserve deficit by £1.545 million. This has been corrected by Management.

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Accounting for capital grants received in advance

We noted that the Authority has a material balance of capital grants received in advance as of 31 March 2021 (£16.474 million based on the draft statement of accounts).

Our review of the balance of capital grants received in advance identified that capital grants were being recognised on the basis of the passage of time rather than in relation to the fulfilment of the relevant conditions, as required by the relevant accounting standard.

What have we done and our conclusions?

To address this risk, we have carried out a range of procedures including:

- Obtaining the full list of grants comprising the balance as of year end. We selected samples based on a lower threshold (10 samples tested with 89% coverage of the balance).
- Obtained an understanding of how Management assessed the conditions attached to the grants and determined whether this is appropriate;
- Inspected the agreements, grant letters, and other supporting evidence to determine the correct accounting treatment.

We have completed our audit planned procedures on this area. We have identified the misstatements below which Management agreed to correct:

- The balance of capital grants received in advance was misstatement due to the incorrect assessment of the 'conditions' attached to capital grants received in 2020/21 and prior years. Consequently, the impact in 2020/21 was an overstatement in capital grants received in advance of £16.474 million, overstatement in income of £0.908 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £16.536 million.
- The impact of the above error in 2019/20 was an overstatement in capital grants received in advance of £17.382 million, overstatement in income of £0.172 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £17.442 million.
- The impact in 2018/19 balance sheet was an overstatement in capital grants received in advance of £17.554 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £17.615 million.
- Since the error has a material retrospective impact on the balances, the Authority is required by the CIPFA Code to present an additional balance sheet at the beginning of the preceding period (third balance sheet). Management have corrected the errors and included the corrected figures of the third balance sheet in the final statement of accounts.

Inherent risks and other areas of audit focus

What is the risk/area of focus?	What have we done and our conclusions?
Going concern disclosures Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. At the time of drafting our audit plan there was not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. In addition, the auditing standard, International Auditing Standard 570 Going Concern, has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Authority will be the audit of the 2020/21 financial statements. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that an Authority's financial statements shall be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription. However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.	The revised standard requires: ▸ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias; ▸ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements; ▸ ensuring compliance with any updated reporting requirements; ▸ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and ▸ necessary consideration regarding the appropriateness of financial statement disclosures around going concern. We are yet to complete our planned procedures in this area. A going concern assessment and cash flow forecast are yet to be received from Management to enable us to complete this work. Management's assessment will need to cover a period of at least 12 months from the date the audit opinion is issued and the accounts are authorised for issue.

04 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEE VALLEY REGIONAL PARK AUTHORITY

Opinion

We have audited the financial statements of Lee Valley Regional Park Authority (the Authority) for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement
- the related notes 1 to 42.

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 Lee Valley Regional Park Authority 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 Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Section 151 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 Authority's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Section 151 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 Authority's ability to continue as a going concern.

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Section 151 Officer is responsible for the other information contained within the Statement of Accounts.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Section 151 Officer

As explained more fully in the Statement of Responsibilities set out on page 11, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 Section 151 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 Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

Draft audit report

Our opinion on the financial statements

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.

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

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

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018,2020 and 2021,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

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

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

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks. To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

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

Draft audit report

Our opinion on the financial statements

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 Lee Valley Regional Park Authority 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 Lee Valley Regional Park Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

Signature
Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date

05 Audit Differences

Audit Differences

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

Summary of adjusted differences

- We identified a number of misstatements which Management agreed to correct:

  Capital grants received in advance

  - The balance of capital grants received in advance was misstatement due to the incorrect assessment of the 'conditions' attached to capital grants received in 2020/21 and prior years. Consequently, the impact in 2020/21 was an overstatement in capital grants received in advance of £16.474 million, overstatement in income of £0.908 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £16.536 million.
  - The impact of the above error in 2019/20 was an overstatement in capital grants received in advance of £17.382 million, overstatement in income of £0.172 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £17.442 million.
  - The impact in 2018/19 balance sheet was an overstatement in capital grants received in advance of £17.554 million, overstatement in capital grants unapplied of £0.061 million and understatement in capital adjustment account of £17.615 million.
  - Since the error has a material retrospective impact on the balances, the Authority is required by the CIPFA Code to present an additional balance sheet at the beginning of the preceding period (third balance sheet). Management have corrected the errors and included the corrected figures of the third balance sheet in the final statement of accounts.

  Transfer between reserves

  - Management failed to transfer the excess of depreciation based on revalued amount over historical cost depreciation from the revaluation reserve to capital adjustment account as required by CIPFA Capital Accounting. This resulted in the overstatement of the revaluation reserve and understatement of the capital adjustment account by £12.162 million.

  Property, plant and equipment

  - Capital additions for the new Ice Centre were incorrectly recorded under other land and buildings instead of assets under construction although the construction of the asset was still in progress at year end. This resulted in the overstatement of other land and buildings and understatement of assets under construction by £0.604 million.
  - An asset valued at £0.893 million was incorrectly classified as community assets instead of other land and buildings, and a component of an asset valued at £2.550 million was incorrectly classified as vehicle, plant and equipment instead of other land and buildings. This resulted in the overstatement of community assets by £0.893 million, overstatement of vehicle, plant and equipment by £2.55 million and understatement in other land and buildings by £3.443 million.
  - Differences were noted between the fixed assets register and the valuer's report. The net impact is an overstatement of other land and buildings and the revaluation reserve by £0.7 million.

Audit Differences

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

Summary of adjusted differences

- We also identified a number of misstatements which Management agreed to correct (continued):

  Property, plant and equipment (continued)

  - Management incorrectly presented the write-off of the depreciation on revaluated assets in 2020/21 which was not in line with the CIPFA Capital Accounting manual, although no issues were noted in the calculations This resulted in an overstatement of gross cost and accumulated depreciation by £3.453 million. This has been corrected by management and does not impact the balance of property, plant and equipment in the balance sheet which is reported at net book value.

  Pension liability

  - The pension fund auditor found material differences in the net assets of the fund used in the initial IAS 19 report and the audited pension fund accounts. As a result, the Authority obtained a revised IAS 19 report which reflects the more accurate net assets position. The impact is a decrease in net pension liability and pension reserve deficit by £1.545 million.

  Contingent liability

  - The Authority initially disclosed a contingent liability in the draft accounts relating to the potential cash outflow for a case with Lee Valley Leisure Trust. This case has been settled post-year end for £0.970 million. Any amounts still receivable from the Trust or payable to the Trust as a result of transactions prior to yearend were also written off. The overall impact is a net understatement in expenses and liabilities of £0.888 million.

  Fees, charges and other income

  - Management erroneously recorded internal recharges as an increase in income and increase in expenditure thereby overstating both balances by £0.151 million.

  Comprehensive income and expenditure statement

  - The 2019/20 comparative figures in the 2020/21 accounts are not in line with the 2019/20 audited accounts due to an error in picking up the comparative figures in preparing the statement of accounts. Management have corrected the figures in the final accounts.

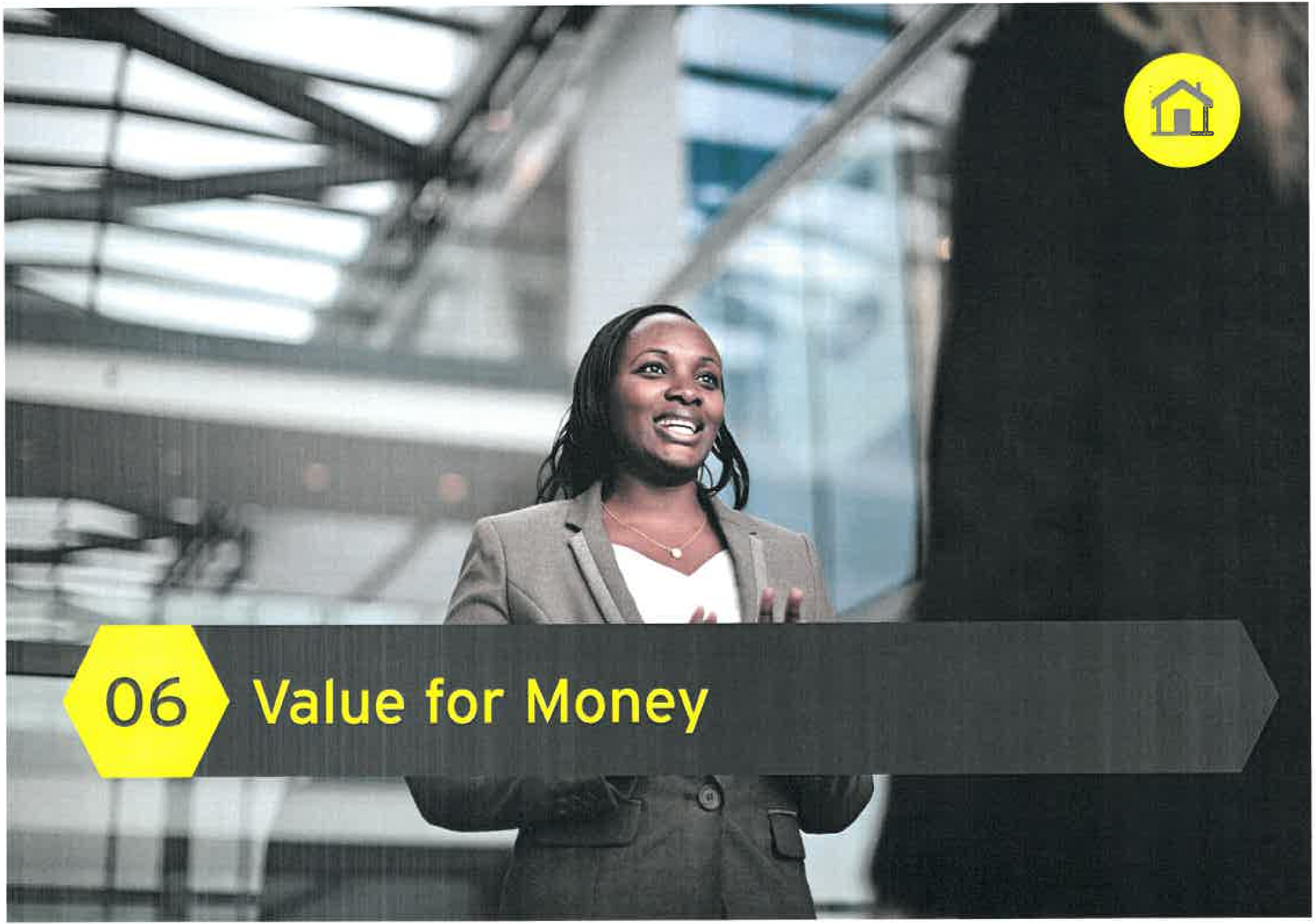
- We also noted other disclosure misstatements which Management agreed to correct.

Audit Differences

Summary of unadjusted differences

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

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							
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	
		(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
Factual misstatements:										
1		Depreciation is overstated by €325k due to the use of asset lives outside of the Acctg policy and incorrect depreciation rates.								
		PPE		325,000						
		CES - SEA							(325,000)	
		NIRs - Tfr to CAA					325,000			
		CAA					(325,000)			
Judgmental misstatements:										
2		Judgemental Overstatement of Wildlife development Centre. Build costs exceed EY Auditor valuation of asset by €354k								
		Land and Buildings		(360,000)						
		CES - SEA							360,000	
		NIRs Transfer to CAA						(360,000)		
		CAA					360,000			
Total of uncorrected misstatements before income tax			0	(35,000)	0	0	360,000	(360,000)	35,000	



06 Value for Money

Value for money

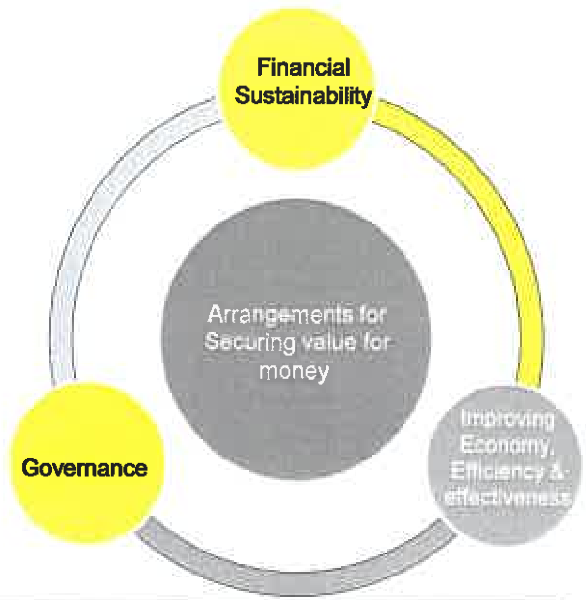
The Authority's responsibilities for value for money (VFM)

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

As part of the material published with its financial statements, the Authority 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 Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Committee the outcome of our assessment of the risk of significant weaknesses in the Authority's VFM arrangements - that we had identified a risk in relation to the arrangements regarding the Ice Centre Capital Development Project. We have revisited our risk assessment and have not identified any additional risks.



The Authority's responsibilities for value for money

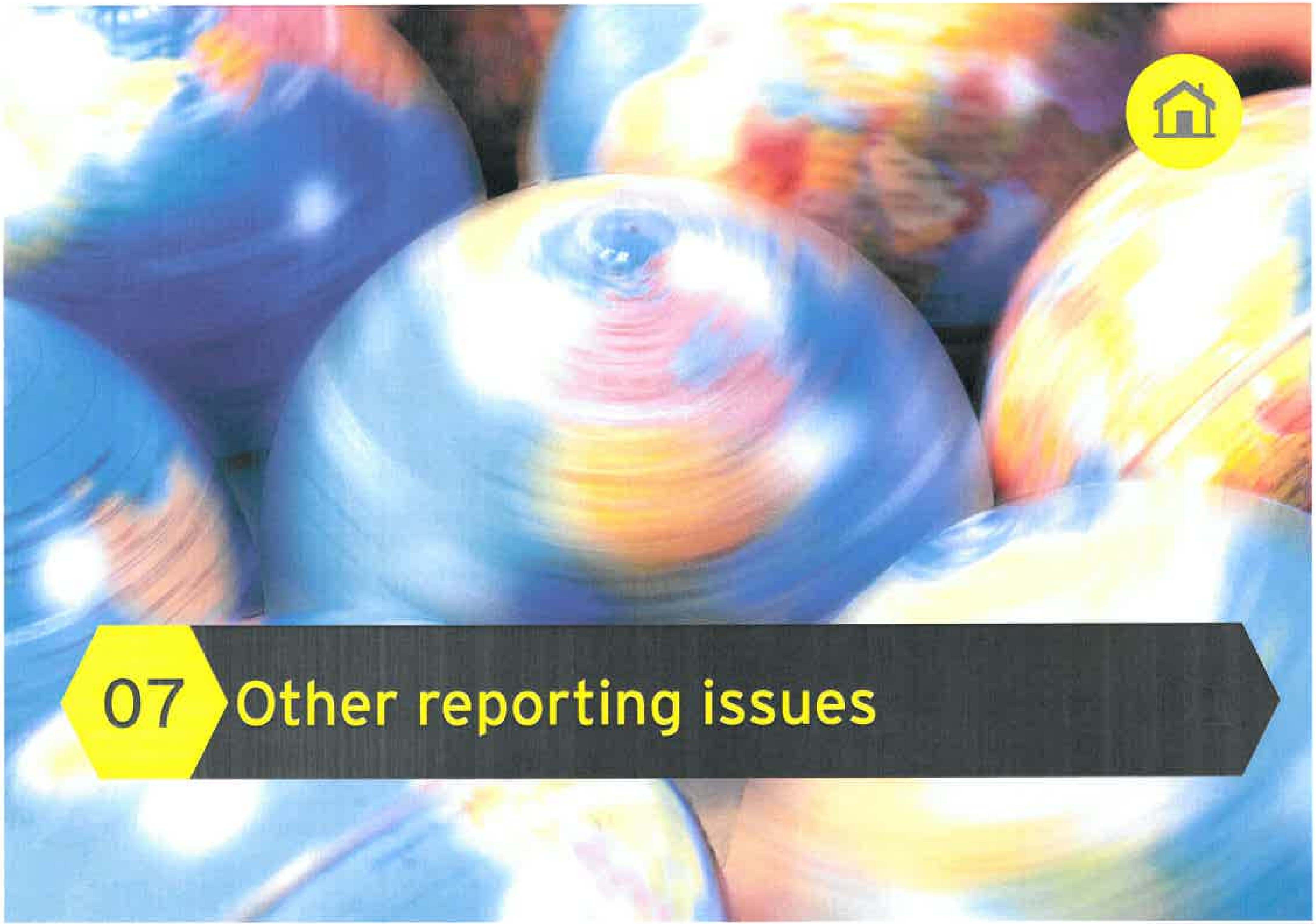
We have completed our work on VFM arrangements and did not identify significant weaknesses against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We therefore have no matters to report by exception to date in the audit opinion.
Note that this work was reviewed by the precious Engagement Partner, but this will be revisited to confirm the conclusion by the new Engagement Partner.

Reporting on VFM

Where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily. We will issue our Auditor's Annual Report once we have issued our audit opinion.



07 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 for the year ended 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 for the year ended 2020/21 and published with the financial statements was consistent with the audited financial statements.

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

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the National Audit Office (NAO). The Authority is below the threshold set by the NAO for detailed procedures and therefore we perform limited work on the WGA return.

We plan to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts concurrently with our audit opinion.

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

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We did not identify any issues that require use of these powers.

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; and
- Consideration of laws and regulations.

We have no issues to bring to your attention related to the above, other than the areas for improvement identified in relation to the control environment as outlined in Section 08.

08 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 internal controls that require certain improvements and have three matters to report to you:

Underlying integrity of property, plant and equipment (PPE) information:

Our initial testing of PPE identified that the Authority was using a series of unlinked excel spreadsheets in support of its PPE and capital accounting disclosures within the financial statements.

Our detailed work identified the omission of a capital accounting process in respect of the transfer of the excess of current value depreciation over historic cost depreciation between the revaluation reserve and the capital adjustments account, along with a small number of non-material integrity issues, particularly in respect of the revaluation reserve.

Management undertook a detailed review of the historic cost capital accounting for all assets contained within the fixed asset register and determined that the quantum of the omitted transfer between the two unusable reserves to be £14 million.

Our testing of this review identified no issue or error in the findings and Management have amended the financial statements for the required transfer, along with the correction of the other integrity matters identified.

We considered Management's assertion that the omitted transfer did not represent a Prior Period Adjustment under IAS8 and are in agreement with this view on the basis that the transfer is between two unusable reserves and is therefore not likely to influence the views of a user of the accounts.

Assessment of Control Environment

Financial controls (continued)

Capital grants received in advance:

Our testing of capital grants received in advance identified that capital grants have not been accounted for in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government or the requirements of the CIPFA Code of practice on local authority accounting Section 2.3.

Our detailed review identified that all capital grants received have been treated as being subject to outstanding conditions and held on the balance sheet within capital grants received in advance, regardless of the actual conditions attaching to the grant, and only recognised as income, free of conditions, when a set time period, based on the nature of the grant (25 years for sports related and 10 years for all others) had passed.

Our review of each of the individual grant terms and conditions identified that there were no unmet conditions at either the current or previous balance sheet date.

This has resulted in overstatement of capital grants received in advance and understatement of the capital adjustment account of £16.474 million (£17.381 million in the prior year).

IAS 8 defines prior period errors as omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or the misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements.

Given the nature of the errors identified, the Authority will be required to restate the prior year balances and disclose revised opening balances for 2018/19 (a third balance sheet).

PPE valuations:

In years between formal valuations, where there are no circumstances that gave rise to a 'referral' valuation, Management does not undertake a review of all 'not valued in year' assets and does not perform any analysis using indices etc to determine if the carrying amount of the 'not valued' assets differ materially from that which would be recorded, had they been valued. Management should perform this assessment at each year-end to ensure that the value of assets not revalued during the year are not out of date.

As a response to this finding, we developed an expectation of the value of the assets not revalued by using market indices report predicting the movement in asset value per category (e.g., offices, housing, industrial assets, specialised assets, etc.) and compared the values calculated to the balance of each asset in the register. No material difference identified, hence, we are satisfied that the omission of this process does not result in a material misstatement for 2020/21.

09 Data Analytics

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal entry analysis
We obtain downloads of all financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk.

Payroll analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the general ledger. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Data Analytics

Journal entry testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We have completed our work on journal entries and have found no exceptions to report.

Payroll testing

What is the risk?

We checked if the employee benefits recorded as expenditure during the year are reasonable and in line with our expectation of the movement in headcount and pay scales from the prior year

What judgements are we focused on?

Using our analysers we are able to disaggregate the level of employee benefits by month and focussed on explaining the movements that are outside our expectation

What did we do?

We obtained general ledger journal data for the period and have used our analysers summarise the month on month movement of employee benefits for 2020/21. Using the fluctuation in number of employees and change in pay scales from prior year, we were able to develop an expectation as to the level of employee benefits for 2020/21. We compared the actual level of employee benefits to our expectation and explained any differences identified above our threshold.

What are our conclusions?

The differences identified are reasonable and did not result in a material misstatement.

10 Independence

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Fees	Planned fee 2020/21	Final Fee 2019/20
	£	£
Total Scale Fee – Code work	14,337	14,337
Additional fee approved for 2019/20		12,639
Fee Variation		
Pension valuation	4,845	
Property, plant and equipment and investment property valuation	4,061	
Prior period errors	4,255	
Quality or preparation issues	5,430	
VFM commentary	6,000	
VFM additional risk	3,430	
Increased FRC challenge	9,753	
Work of internal expert	5,290	
EY Pensions roll forward procedure for pension liability	2,500	
Total audit	**59,901**	**26,976**

The final fee for 2019/20 has been approved by PSAA.

For 2020/21, the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of Lee Valley Regional Park Authority and additional work to address increase in Regulatory Standards.

The impact on audit fees of the new requirements in the Code of Audit Practice 2020 and new or updated auditing standards from 2020/21 are set out in the Additional Information for 2020/21 audit fees issued by PSAA in August 2021. We have also carried out additional work in relation to significant and inherent risks and areas of extended testing procedures for errors identified during the 2020/21 audit. As the audit is not yet completed, these fees have not yet been discussed with management and are an estimate of the additional fee for 2020/21. A final fee will be calculated and submitted to PSAA for determination once the audit report has been issued.

The final fee for 2019/20 is also included as reference. The additional fee approved by PSAA was £12,639. We submitted a total proposed additional fee of £31,946.

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

EY UK Transparency Report 2022 | EY UK

11 Appendices

Appendix C

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the 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 planning report - June 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - June 2021
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process	Audit planning report - June 2021

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Audit results report - September 2023
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report - September 2023
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report - September 2023
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit results report - September 2023

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit results report - September 2023
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report - June 2021 Audit results report - September 2023
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report - September 2023
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit results report - September 2023

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Auditors Annual Report - September 2023 Audit results report - September 2023
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report - September 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - September 2023
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report - September 2023

Appendix D

Outstanding matters

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

Item	Actions to resolve	Responsibility
Subsequent events procedures	EY to perform procedures relating to subsequent events up to the date of approval of the accounts	EY
Obtaining and checking final signed accounts	Management to provide the signed accounts EY to review the accounts	EY and Management
Obtaining signed management representation letter	Management to provide the representation letter EY to review the letter	EY and Management

Appendix E

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Debbie Hanson

Ernst & Young LLP

400 Capability Green, Luton

LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Lee Valley Regional Park Authority ("the Authority") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Lee Valley Regional Park Authority as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 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 [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (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 Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

Management representation letter

Management Rep Letter

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - involving financial improprieties;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

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

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

Appendix E

Management representation letter

Management Rep Letter

3. We have made available to you all minutes of the meetings of the Authority and Audit Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter, being 29 March 2021, 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 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. We have not given any guarantees to third parties.

E. Going Concern

1. Note 39 to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. As outlined in Note 38, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Management representation letter

Management Rep Letter

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts, Narrative Statement and Annual Governance Statement.

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

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, aligned with the statements we have made in the other information or other public communications made by us.

Comparative information – corresponding financial information

The balances for 2019/20 in the statement of accounts have been restated to reflect the following prior period error:

> Overstatement of capital grants received in advance due to incorrectly treating all grants received as being subject to outstanding conditions and recognising revenue through the passage of time, rather than when the actual conditions attached to the grant have been met. This resulted in the overstatement of capital grants received in advance and capital adjustment account by £17.381 million as of 31 March 2020.

The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

Ownership of Assets

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

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

Reserves

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

Use of the Work of a Specialist

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

Management representation letter

Management Rep Letter

Estimates

Valuation of land and building assets and Investment property, and defined benefit pension scheme liability

1. We confirm that the significant judgments made in making the estimates on valuation of land and building assets and investment property and the defined benefit pension scheme liability 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 estimates on valuation of land and building assets and investment property and the defined benefit pension scheme liability.

3. We confirm that the significant assumptions used in making the estimates on valuation of land and building assets and investment property and the defined benefit pension scheme liability appropriately reflect our intent and ability to continue to retain the assets and pay pension benefits on behalf of the Authority.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), 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.

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates on valuation of land and building assets and investment property, and defined benefit pension scheme.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

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.

Yours faithfully,

____

Section 151 Officer

____

(Chairman of the Audit Committee)

EY | Assurance | Tax | Transactions | Advisory

About EY

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Lee Valley
Regional Park Authority

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

19 October 2023

Dear Debbie

This letter of representations is provided in connection with your audit of the financial statements of Lee Valley Regional Park Authority ("the Authority") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Lee Valley Regional Park Authority as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 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 [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 Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 financial statements.

Lee Valley Regional Park Authority
Myddelton House, Bulls Cross, Enfield, Middlesex EN2 9HG
Telephone: 01992 717 711 Fax: 01992 719 937 www.leevalleypark.org.uk

Bringing you Lee Valley
For nature, sport and discovery

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions] are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Authority and Audit committees held through the year to the most recent meeting on the following date: 21 September 2023.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter, being 29 March 2021, 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 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. We have not given any guarantees to third parties.

E. **Going Concern**

1. Note 39 to the financial statements forms the basis of the Management Risk Assessment of Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans. The full Going Concern Assessment will be published alongside the Statement of Accounts.

F. **Subsequent Events**

1. As outlined in Note 38 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto

G. **Other Information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.

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

H. **Climate-related matters**

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate related matters has been considered and reflected in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, aligned with the statements we have made in the other information or other public communications made by us.

I. **Comparative Information – corresponding financial information**

1. The balances for 2019/20 in the statement of accounts have been restated to reflect the following prior period error:

   - Overstatement of capital grants received in advance due to incorrectly treating all grants received as being subject to outstanding conditions and recognising revenue through the passage of time, rather than when the actual conditions attached to the grant have been met. This resulted in the overstatement of capital grants received in advance and capital adjustment account by £17.381 million as of 31 March 2020.

2. The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

J. Ownership of Assets

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

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

K. Reserves

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

L. Use of the Work of a Specialist

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

M. Estimates

When we have identified following estimates as significant or higher risk:

- Pension Liability
- Property, Plant & Equipment / Investment Properties – Valuation and Impairment

1. We confirm that the significant judgments made in making the estimates on valuation of land and building assets and investment property and the defined benefit pension scheme liability 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 estimates on valuation of land and building assets and investment property and the defined benefit pension scheme liability.

3. We confirm that the significant assumptions used in making the valuation of land, buildings and investment property and the defined benefit pension scheme liability appropriately reflect our intent and ability to continue to provide services on behalf of the Authority.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including 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.

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates on valuation of land and building assets and investment property, and defined benefit pension scheme.

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

N. 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.

Yours faithfully,

Kevin Bartle
Section 151 Officer

David Gardner
Chair of Audit Committee