Lee Valley
Regional Park Authority

Lee Valley Regional Park Authority
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To: Frances Button (Chairman)
Christine Hamilton (Vice Chairman)
John Bevan
Graham McAndrew
Simon Walsh
John Wyllie
Vacancy

A meeting of the **AUDIT COMMITTEE** (Quorum – 3) will be held at these offices on:

THURSDAY, 27 FEBRUARY 2020 AT 12:30

at which the following business will be transacted:

AGENDA

1 To receive apologies for absence

2 DECLARATION OF INTERESTS

Members are asked to consider whether or not they have disclosable pecuniary, other pecuniary or non-pecuniary interests in any item on this Agenda. Other pecuniary and non-pecuniary interests are a matter of judgement for each Member. (Declarations may also be made during the meeting if necessary.)

3 MINUTES OF LAST MEETING

To approve the Minutes of the meeting held on 19 September 2019
(copy herewith)

4 PUBLIC SPEAKING

To receive any representations from members of the public or representative of an organisation on an issue which is on the agenda of the meeting. Subject to the Chairman's discretion a total of 20 minutes will be allowed for public speaking and the presentation of petitions at each meeting.

5 ACCOUNTING POLICIES AND ACCOUNTS CLOSEDOWN TIMETABLE 2019/20 — Paper AUD/107/20

Presented by Simon Sheldon, Director of Finance & Resources

6 EXTERNAL AUDIT 2019/20 – AUDIT PLAN — Paper AUD/108/20

Presented by Simon Sheldon, Director of Finance & Resources

7 **RISK REGISTER 2019/20** **Paper AUD/106/20**

Presented by Simon Sheldon, Director of Finance & Resources

8 **URGENT BUSINESS**

Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency by reason of special circumstances to warrant consideration.

9 **EXEMPT ITEMS**

Consider passing a resolution based on the principles of Section 100A(4) of the Local Government Act 1972, excluding the public and press from the meeting for the items of business listed on Part II of the Agenda, on the grounds that they involve the likely disclosure of exempt information as defined in those sections of Part I of Schedule 12A of the Act specified beneath each item. (There are no items currently listed for consideration in Part II.)

19 February 2020

Shaun Dawson
Chief Executive

LEE VALLEY REGIONAL PARK AUTHORITY

AUDIT COMMITTEE MINUTES
19 SEPTEMBER 2019

Members Present:	Frances Button (Chairman)	Graham McAndrew
	John Bevan	Simon Walsh
	Christine Hamilton	John Wyllie

Apologies Received From: Claudia Webbe

Officers Present:	Simon Sheldon	- Director of Finance & Resources
	Beryl Foster	- Director of Corporate Services
	Dan Buck	- Head of Sport & Leisure
	Jon Carney	- Head of Parklands
	Keith Kellard	- Chief Accountant
	Sandra Bertschin	- Committee & Members' Services Manager

Also Present: Neil Harris – Ernst & Young

Part I

171 DECLARATIONS OF INTEREST

There were no declarations of interest.

172 MINUTES OF LAST MEETING

THAT the minutes of the meeting held on 4 July 2019 be approved and signed.

173 PUBLIC SPEAKING

No requests from the public to speak or present petitions had been received for this meeting.

174 EXTERNAL AUDITORS' ANNUAL RESULTS REPORT - 2018/19 ACCOUNTS Paper AUD/105/19

The report was introduced by the Director of Finance & Resources.

Neil Harris advised that the audit was now concluded and that an unqualified opinion would be issued on the Authority's 2018/19 financial statements, including arrangements for economy, efficiency and effectiveness in the use of resources and value for money.

Neil Harris advised that 2 issues had required additional resources within the audit, valuation assumptions in regard to property assets and additional pension procedures as a result of the McCloud judgment. Consequently Ernst & Young would be seeking additional fees. He apologised for disruption caused by resourcing delays from Ernst & Young and thanked Authority finance staff for their support in progressing the audit.

The Chairman welcomed the unqualified opinion but expressed concern at potential additional fees, highlighting paragraph 9 of the paper as to why such fees were inappropriate. Other Members also expressed concern regarding potential additional fees. In response Neil Harris commented that the detail of potential additional fees would be discussed with the Director of Finance & Resources and that Ernst & Young would absorb any additional costs arising from any inefficiency of the audit. The outcome of those discussions would be reported at the next Audit Committee meeting prior to referral to Public Sector Audit Appointments if required.

The Chairman thanked all staff involved in the audit and Ernst & Young.

(1) the 2018/19 External Auditors' Audit Results Report for the Authority set out in Appendix A to Paper AUD/105/19 was noted.

175 RISK REGISTER 2019/20 Paper AUD/104/19

The report was introduced by the Director of Finance & Resources.

(1) the Corporate Risk Register included at Appendix A and the sub-register at Appendix B to Paper AUD/104/19 was approved.

Chairman

Date

The meeting started at 1.25pm and ended at 1.50pm

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **27 FEBRUARY 2020 AT 12.30**	**Agenda Item No:** **5** **Report No:** **AUD/107/2020**

ACCOUNTING POLICIES AND ACCOUNTS CLOSEDOWN TIMETABLE 2019/20

Presented by the Chief Accountant

SUMMARY

The Authority is required to close its Financial Accounts under the Accounting and Audit Regulations 2015 and this must be in accordance with International Financial Reporting Standards. As part of the process Members are asked to approve the Accounting Policies and the Closedown Timetable for 2019/20.

RECOMMENDATIONS

Members Approve:	(1)	the Accounting Policies set out in Appendix A of this report;
	(2)	the Draft Closedown Timetable set out in Appendix B of this report; and
Members Note	(3)	the key judgements and assumptions set out in paragraphs 10 to 14 of this report.

BACKGROUND

1 Under the Accounting and Audit Regulations 2015, the Authority is required to publish its Financial Accounts for 2019/20 by 31 July 2020. Accounting Policies (as set out in Appendix A of this report) are the guidelines, assumptions and underlying principles on which the information contained in the Financial Statements will be based. These Policies are prepared in accordance with CIPFA's (Chartered Institute of Public Finance & Accounting) Code of Practice on Local Authority Accounting (the Code).

A draft closedown timetable is attached at Appendix B to this report, which has been prepared for the timely completion of the year end accounts process.

REVIEW OF ACCOUNTING POLICIES

2 The Authority is required to consider any interests it may have in subsidiaries, associates and joint ventures and prepare group accounts where they have material interests under International Financial Reporting Standards (IFRS).

The Authority is required to review its position with regards to the relationship that exists between the Authority and Lee Valley Leisure Trust Ltd (the Trust), who have been running the majority of the leisure facilities since April 2015. It remains the Authority's conclusion that under the key areas of control, policy and decision making, and materiality, that a material interest still does not exist.

3 A number of new, or amended, International Financial Reporting Standards that have been introduced to the CIPFA Code of Practice for 2019-20, may have impact on the Authority, including:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property; and
- Amendments to IFRS 9 Financial Instruments.

4 Officers have reviewed these and concluded there is unlikely to be any change in accounting treatment and no change is required to accounting policies.

5 IFRS 16 relating to treatment of leases that was due to come into effect from 1 April 2019 was deferred by CIPFA until April 2020. CIPFA are due to release their code of practice for 2020/21 in April 2020, which will include the guidance as to how this standard has been adapted for the public sector. This is expected to require a change to accounting policies for future years.

6 Officers continue to review all accounting standards in place within the Code of Practice and will report back if any subsequent change to accounting policies is required.

7 The Accounting Policies for the financial year 2019/20 follow those adopted for 2018/19 under IFRS with no other amendments.

8 The draft Accounting Policies that will be included in the Financial Statements are shown in Appendix A to this report.

CLOSEDOWN TIMETABLE 2019/20

9 The Authority has set itself an ambitious but achievable timetable for closedown. The detailed tasks and deadlines for closedown are set out at Appendix B to this report. The date of the external audit is still to be finalised, but the External Auditor has indicated this will be around June or July. The timetable has assumed a 1 June start and deadlines have been built around this. The auditor has also confirmed there will not be an interim audit, usually completed in March, and that all their testing will be done during the final audit.

The key dates for Members to note are:

- 27 February 2020 - External Audit Plan and Accounting Policies and timetable approved
- 18 May 2020 - draft accounts submitted for Audit
- 01 June 2020 - provisional commencement for the final accounts audit
- 25 June 2020 - Audit Committee

- 02 July 2020 - Special Audit Committee to approve and sign-off accounts
- 31 July 2020 - final production and publication of the 2019/20 accounts

ACCOUNTING JUDGEMENTS AND ASSUMPTIONS

10 A key part of the year end closure process is to make clear any material judgements and assumptions made as part of the finalisation of the Accounts. Officers have made three key assumptions/judgements that Members should note and these are detailed in the following paragraphs.

11 Members of the Authority decided in February 2014 (Paper A/4181/14) that the main operational facilities should be run by a charitable trust. In addition, it agreed in April 2014 (Paper A/4182/14) that additional non-sporting venues should also be transferred to the Trust. The contract for the Trust commenced on 1 April 2015. The Authority has reviewed its accounting policies (as set out in paragraph 2 above) with regards to any material interest it may have in the Trust, and the possible requirement to produce group accounts. The main considerations relate to whether the Authority has direct power to control the operations and activities of the Trust. It can be demonstrated under IFRS10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, as well as the Companies Act 2006 and both the Charities and CIPFA SORP, that this is not the case, and therefore group accounts do not need to be prepared.

The Trust will produce their own set of accounting policies, assumptions, judgements and statements in line with the relevant accounting guidelines for charities.

12 The Authority is required to revalue all its Operational Non Current assets as a minimum every 5 years to ensure their carrying amount is not materially different from their fair value at year end. In order to comply with accounting requirements, we have the 4 largest venues (Lee Valley White Water Centre, Lee Valley VeloPark, Lee Valley Hockey & Tennis Centre and Lee Valley Athletics Centre, valued every year, along with 25% of other assets in each interim year, and then all assets in year 5. The 2019/20 financial year represents the first year of a new five year valuation cycle, and we have instructed Montagu Evans (Chartered Surveyors) to conduct this review. The resulting valuations will ensure that all our non-current assets are held on the balance sheet at fair value as at 31 March 2020.

In addition to operational assets, we are required to review the carrying value of all investment properties (e.g. Three Mills Studio and UCI Cinema at Picketts Lock) each year. Montagu Evans will also conduct this valuation exercise.

13 Under its Land & Property Strategy the Authority has taken decisions to declare certain parts of its land portfolio as surplus to the Park's requirements. Where an asset has formally been approved as surplus by the full Authority it will be classified as a non-current asset for sale.

A non-current asset held for sale is measured at the lower of its carrying amount and its fair value less costs to sell. The carrying amount of the asset will be reduced, and a financing cost recognised in the Comprehensive Income and Expenditure Account where the amounts are material.

14 The Authority, via the London Pension Fund Authority (LPFA) and their actuary, Barnett Waddingham, are required to value the financial position of our share of

the London Pension Fund Authority pension fund on an annual basis. They are required to produce a full valuation every three years (the Triennial Pension Fund Valuation), with the current one as at 31 March 2019. The LPFA have already provided the details of the triennial valuation and the change in contribution rates, as reported to Members in January 2020 (paper E/653/20).

There is still a significant amount of uncertainty around the approach required in relation to the McCloud/GMP judgements and the financial impact of any remedies prescribed. The Authority will engage Barnett Waddingham to provide an estimate as to the impact of this on the pension fund valuation in line with the approach last year.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

16 The fee agreed by Public Sector Audit Appointments Ltd (PSAA) and included by the External Auditor in the plan is £14,337 and can be met from the existing budget.

The external auditor will set out any additional fee requirements as part of his plan.

HUMAN RESOURCE IMPLICATIONS

17 There are no human resource implications arising directly from the recommendations in this report. However additional officer time is required to establish the Transport Infrastructure Assets (TIA) requirements.

LEGAL IMPLICATIONS

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

EQUALITY IMPICATIONS

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

RISK MANAGEMENT IMPLICATIONS

20 There is a small risk, subject to the risks identified in the external auditors plan that the external auditor may require additional time to complete their work and result in increased audit fees that are not currently budgeted for. To mitigate this risk officers will continue to maintain ongoing dialogue with the Auditor and ensure that the information provided meets with their expectation to minimise the potential for extra audit work as well as comply with the timetable as set out in this report. Any requests for additional fees will be discussed with the Authority. Any variation or rebase to the audit fee is also subject to discussion between the Authority and the Auditor and needs approval by PSAA.

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APPENDICES ATTACHED

Appendix A	Full Accounting Policies
Appendix B	Closedown Timetable

LIST OF ABBREVIATIONS

IFRS	International Financial Reporting Standards
CIPFA	Chartered Institute of Public Finance & Accounting
CRC	Carbon Reduction Commitment
TIA	Transport Infrastructure Assets
the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
LPFA	London Pension Fund Authority
PSAA	Public Sector Audit Appointments Ltd

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STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain assets.

Heritage Assets

Heritage assets are assets are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Provided that they meet this definition, heritage assets can include historic buildings, civic regalia, museum collections and works of art.

There is no carrying amount of assets on the Balance Sheet that will be reclassified as heritage assets. The Authority has a number of assets that were considered to fall under the definition of heritage assets that following review will continue to be classified as detailed below:

- Rye House Gatehouse, (Operational Asset)
- Monastic walls at Abbey gardens (Community Asset)
- The Old Mill at Broxbourne Meadows (Community Asset)

Accruals of expenditure and income

- Figures shown in the financial statements are based on the accruals concept, i.e. that income or expenditure is included in the year to which it relates irrespective of whether the authority has actually received the income or incurred the expenditure.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours (deposits held at call) and bank overdrafts. Cash equivalents are short term, highly liquid investments with maturities of 3 months or less at acquisition, that are readily convertible to known amounts of cash. Cash equivalents are held to meet short term liquidity requirements and have an insignificant risk of changing value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Contingent assets

Contingent assets are possible assets which arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Authority's control.

In accordance with the Code, they are not recognised in the accounts, rather they are disclosed as a note to the accounts where the inflow of economic benefits or service potential is probable and can be reliably measured. Contingent assets are continually assessed to determine their position.

Contingent liabilities

Contingent liabilities are either:

a) Possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Authority's control, or

b) Present obligations arising from past events, but is not recognised because:

- It is not probable that a transfer of economic benefits will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

In accordance with the Code, material contingent liabilities are not recognised within the accounts as an item of expenditure, rather, they are disclosed as a note to the accounting statements. Contingent liabilities are subject to a continual assessment to determine their position.

Employee benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

The code requires the Authority to make an accrual in its accounts at year end for any annual leave and flexible working entitlement earned but not taken by employees at the end of the financial year – to the extent that employees are permitted to carry forward annual leave and flexitime to the following year.

The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Pension costs

The Authority participates in one scheme, the Local Government Superannuation Scheme, which is a defined benefit final salary scheme administered by the London Pension Fund Authority (LPFA). The LPFA is designated an 'administering authority' within the Local Government Superannuation Regulations 1995. The LPFA maintains the fund and administers the terms of the scheme in respect of those who participate in it. The employers contributions is set by the Fund's actuary based on three-yearly actuarial valuations.

The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into the following components:

Service cost

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs

- interest cost – net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement

Remeasurements

- the return on plan assets – the annual investment return on the fund assets attributable to the Authority, excluding amounts included in net interest on the net defined liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the pensions reserve as other comprehensive income and expenditure

Contributions

- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Events after the balance sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional items

Where material income or expenditure transactions have occurred during the financial year their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior period adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Financial Instruments

Financial liabilities are recognised on the balance sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on carrying amount of the liability, multiplied by the effective rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the borrowing to the amount at which it was originally recognised.

The Authority does not currently have any borrowing, but it is likely that for any future borrowing, this will mean that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of repurchase or settlement.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Government grants and other contributions

Under International Financial Reporting Standards, all such grants are to be treated as revenue income as soon as any conditions relating to the grant have been met. Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Inventories

The Authority values stock and stores at the lower of actual costs and net realisable value, after allowing for obsolescent items. Operational facilities count their shop and café stocks then value them at historic cost price.

Investment properties

Under the Code, an investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Authority's services.

Investment properties are initially measured at cost and thereafter at fair value.

Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

Leases

Leases can be classified as either finance or operating leases. If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form.

For assets leased under a finance lease, a debtor or creditor should be recognised at the lower of fair value of the asset and present value of the minimum lease payments as appropriate and the annual payments consist of an amount of interest plus an amount to clear the relevant debtor or creditor.

Leases that do not meet the definition of finance leases are accounted for as operating leases and the income or expenditure is either credited, or charged to, service revenue accounts on a straight-line basis over the term of the lease.

Under the Code, the land and buildings elements of a lease of land and buildings require separate identification for both lease classification and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

a. The Authority as Lessee

Finance Lease

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the

Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise the levy to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a rent-free period at the commencement of the lease).

b. The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Non-current assets held for sale

The following criteria have to be met before an asset can be classified as held for sale under this section of the code:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).

- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.

- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Authority generally applies a de-minimus level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimus level , but the aggregate value of similar items purchased in the year exceed the de-minimus level the expenditure may be treated as capital expenditure.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) is capitalised on the accruals basis in the accounts, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS.

The capital value of any work the Authority undertakes on towpaths is included in the balance sheet as an asset, even though the Authority does not usually own them. Agreements are in place with British Waterways, which allow public access to the towpaths and continuing use of the related facilities.

Surpluses arising on the initial valuation of non-current assets are credited to the revaluation reserve. PPE are re-valued every five years, but adjustments to the valuations are made in the interim to take account of significant changes as they occur. This year a partial revaluation has been commissioned and is reflected in these statements.

Capital expenditure that does not result in the acquisition of an asset is classified as 'revenue expenditure funded from capital under statute (formally deferred charges), and is written out to revenue in the year in which it is incurred.

The Authority accounts for its income from the disposal of PPE on an accruals basis. It is held in a usable capital receipts reserve that can be used to finance new capital expenditure.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cashflows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they a re-reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement..

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The Authority has assets that are identified as specialised. These include:

- Lee Valley Ice Centre – an ice rink, with ancillary facilities; a steel frame building, clad in corrugated sheeting; and
- Rye House Gatehouse – a listed ancient monument, constructed in 1443, which the Authority uses as a museum.
- Lee Valley Velodrome – the London 2012 Olympic Velodrome
- Lee Valley White Water Centre - the London 2012 Olympic White Water Centre
- Lee Valley Athletics Centre - the pre-Olympic elite athletes indoor/outdoor training centre.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Component accounting

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the White Water Centre are made up of separate elements that have different useful lives.

There has been no requirement to apply these changes retrospectively and instead components are recognised separately as and when they are replaced.

Depreciation and useful economic life

Depreciation is provided for on the 'building' element of all non-current assets with a finite useful life, except investment and community assets. We calculate it using the reducing balance method.

Non-current assets are not depreciated in the year of acquisition.

PPE have a useful economic life, which is determined by the class of asset. Depreciation is calculated on this life except in the case of investment properties that are not depreciated.

Asset class	**Useful economic life**
Land and buildings	5 - 60 years
Vehicles, plant and machinery	5 -15 years
Infrastructure assets	10 - 40 years
Community assets	n/a

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise its levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (England and Wales)).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or loans fund principal), by way of an adjusting transaction within the Capital Adjustment Account and in the Movement in Reserves Statement for the difference between the two.

Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of Property, Plant and Equipment has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. It is the Authority's policy to write off the value of revenue expenditure funded from capital under statute to services and reflect them in the comprehensive income and expenditure statement in the year they arise. The movement in reserves statement will then reflect a transfer from the general fund balance to the capital adjustment account so that there is no impact on the levy.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Reserves

The current system of local authority capital accounting requires three capital reserve accounts to be set up in the balance sheet:

- The revaluation reserve records the accumulated gains on the non current assets held by the authority arising from increases in value as a result of inflation or other factors.
- Capital adjustment account shows amounts set aside from revenue resources or capital receipts to finance expenditure on PPE or the repayment of external loans and certain other capital financing transactions.
- The usable capital receipts reserve, which contains the unused proceeds arising from disposing of assets that can be used to finance future capital expenditure.

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management, as well as other unusable reserves such as employee benefits, that are kept to manage the accounting processes.

Earmarked revenue reserves

The Authority maintains renewal and repairs funds to replace equipment and for ongoing repairs to buildings or structures that we cannot fund in one year from service revenue budgets.

The Authority also has a capital fund, financed from contributions from the general fund, which can be used to finance future capital expenditure.

An insurance fund is maintained to self-insure certain risks. An example is storm damage to trees. The fund is also typically used to pay insurance policy excesses for claims against us by third parties. The services are charged with the any excess or claim and we adjust the fund balance by a transfer to or from the general fund.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to be reflected in the Surplus or Deficit on the Provision of Services in the comprehensive income and expenditure statement. The reserve is then transferred back into the General Fund balance so that there is no net charge to taxpayers.

Value added tax

The figures in the statements are net of VAT.

Provision for bad & doubtful debts

All amounts outstanding on the sales ledger are reviewed to establish the likelihood of their recovery. Where debt is proving to be difficult to recover we create a provision for it. If that debt is then paid the provision is reversed, should the debt ultimately prove irrecoverable it will be written off against the provision.

Biological Assets

Under IAS41 Agriculture, living animals or plants are classified as biological assets, and agricultural produce is the harvested product of the entity's biological asset. A biological asset, or an item of agricultural produce, is classified as an asset when it is both controlled by, and future economic benefit will flow to, an entity, and that its fair value can be measured reliably.

The Authority operates a working dairy farm, with its dairy cattle classified as biological assets, and the milk produced as agricultural produce.

The Authority uses an independent specialist agricultural stock valuer to establish the values its biological assets at the balance sheet date using the fair value method as and active market exists and a value can be reliably measured. Changes in the fair value are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account.

Group Accounts

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

From 1 April 2015, the Authority entered into a Leisure Services Contract with the Lee Valley Leisure Trust Limited (Vibrant Partnerships) to run the main leisure facilities owned by the Authority. Whilst the Authority is able to appoint up to three members to the board of the Trust, it does not have direct power to influence the operations and activities of the Trust. Therefore, the Authority has determined that it has no interests in subsidiaries, associates or joint ventures of a material nature, and is not required to prepare group accounts.

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Date	Task	Contact	Contact2	Completed	Comments
10/02/2020	Final Accounts Workshop	KK	EY	10/02/2020	More Place, London
	Review of Authority assumptions re Group Accounts	SS / KK		10/02/2020	
11/02/2020	Meeting with Ernst & Young (Authority Auditor)	SD / SS / KK	EY	11/02/2020	Audit Plan Meeting
12/02/2020	Review Accounting Policies and Assumptions	SS / KK		12/02/2020	
	Capital Outturn P10/2019	KK		12/02/2020	
	Revenue Outturn P10/2020	KK		12/02/2020	
27/02/2020	Audit Committee (Authority)	SS / KK	EY		Accounting Policies & Assumptions / Audit Plan
	Executive Committee (Authority)	SS / KK			Q3 Revenue/Capital Outturn
28/02/2020	Issue Instruction to Pension Valuers	SS			
	Review Finance Leases	KK			
	Review Guidance Notes	KK			
01/03/2020	Draft Instructions Issued to Valuers	SS	ME		
02/03/2020	Interim Audit (Authority)		EY		No Interim Audit Planned for 2019/20
04/03/2020	Capital Outturn P11/2019	KK / MK			
	Revenue Outturn P11/2020	KK / MK			
06/03/2020	Circulate Members Declarations	SB			
	Circulate Related Party Transactions memo	PK			
	Issue Guidance Procedures for Financial Year End	KK / MK / SS			
	Issue Guidance Procedures for New Year	KK / MK / SS			
12/03/2020	Write off Meeting	SS / KK / LR / MK			
13/03/2020	Draft Governance Report	SS	EY		Copy to SD/BF to review
	Draft Narrative Statement	SS	EY		Copy to SD/BF to review
	Draft Statement of Responsibilities	SS	EY		Copy to SD/BF to review
18/03/2020	Review Financial Statements Templates	KK			
20/03/2020	Minutes of Write off Meeting	LR			
26/03/2020	Executive Committee (Authority)	SS / KK			
27/03/2020	Reconcile Ride To Work Scheme codes	KK			
	Reconcile Season Ticket Loans	KK			
31/03/2020	Aged Creditors listing produced	KK			
	Aged Debtors listing produced	KK			
	Insurance Suspense Cleared [6861]	KK / LR			
	Return of Holiday Statements	All Employees			
	Service Tenancies charged to services	KK / MW			
01/04/2020	Fixed Assets Impairment Review	SS / KK / MW	ME		Full Revaluation
03/04/2020	All Weekly Returns Posted to Old Year	JS / TG			
	Deadline for receipt of all Creditor/Debtor/PIA/RIA Sheets	All			
	Inland revenue payment, Payroll	LR			
	Interest accrual - Investments	KK			
	PAYE and NI suspense cleared	LR			
	Payroll P35 Agreed	LR			
	Provision for Bad Debts posted	KK			
	Review of SLA Overhead Apportionment	KK			
	Review Outstanding Orders Listings	All			Leave Purchase Open extra week
	Superannuation reconciled	LR			
06/04/2020	All other deposits reconciled	MK			
	Key Deposits reconciled	MK			No Key Deposits held by Authority
	Livery Deposits reconciled	MK			No Livery Deposits held by Authority
	Mooring Deposits reconciled	MK			No Mooring Deposits held by Authority
08/04/2020	Petty Cash Returns Posted	DR			
09/04/2020	All notified Debtors by 31/03 Raised on Sales Ledger	TG			
	Cash balances at 31 Mar agreed and reconciled	MK			
	Deadline for input of all Creditor Sheets	MK			
	Capital Outturn P12/2019	KK / MK			to 31/03/2018
	Revenue Outturn P12/2020	KK / MK			to 31/03/2020
15/04/2020	Insurance Fund Reconciled	KK			
	Last day for Invoices (M12) on Payments System	MK / DR			
17/04/2020	All Creditors Reviewed	KK			
	All Debtors Reviewed	KK			
	All PIA Reviewed	KK			
	All RIA Reviewed	KK			

Lee Valley Regional Park Authority

Final Accounts Closure 2019/20

Closedown Timetable

Date	Task	Contact	Contact2	Completed	Comments
	Capital Fund Reconciled	KK			
	Common Services - Agree account and divide charges	KK			
	Contr in lieu interest put to Funds	KK			
	Posting of Employee Benefits c/fwd	KK			
	Purchase Ledger Creditors Reconciled	JS / MK / KK			
	Renewals Fund Reconciled	KK			
	Repairs Fund Reconciled	KK			
	Review of Deposit Codes after Year End Posting	KK / MK			
22/04/2020	Stock Adjustments Posted	KK			Farm only
23/04/2020	Authority (Authority)	SS / KK			Write Offs
	Executive Committee (Authority)	SS / KK			
	Members Declarations Returned	SB			
24/04/2020	Debt w/o on System	KK			After Authority Committee
	Post Pension Transactions	KK			
	Review Pension Valuation From Actuaries	SS / KK			
30/04/2020	Confirm all Pd 12, 13, 01 payments in correct year	MK / KK			
01/05/2020	Interim Provisional Outturn to MT	KK / MK			
	Provisional Treasury Management Review (Draft)	SS / KK			
	VAT Patial Exemption Calculation	KK			
	VAT Return complete, and Accounts Reconciled	KK			
	Capital Outturn P13/2019 Draft	KK / MK			Updated 14/5
	Revenue Outturn P13/2020 Draft	KK / MK			
06/05/2020	Provisional Outturn Capital Report (Draft)	KK / SS			
	Provisional Outturn Revenue Report (Draft)	KK / SS			
08/05/2020	Agree all closing/opening balances	KK / MK			
	All Revenue Accounts checked	KK			
11/05/2020	Run and Post Depreciation	KK			
13/05/2020	Non Current Assets Reconciled	KK			
	Post Impairments to Non Current Assets	KK			
	Post Revaluations to Non Current Assets	KK			
15/05/2020	Data Analytics (Q4) to E&Y	KK			Subject to confirmation by EY
	Glossary	KK			
	Narrative Report	KK			
	Production of Core Statements	KK			
	Production of Supporting Notes	KK			
	Review Draft Figures for MT	KK / SS			
	Variance Analysis report	KK			
18/05/2020	Draft accounts submitted for audit	SS / KK	EY		
	Publication of draft unaudited accounts	SS / KK			
19/05/2020	Publication of Notice of Period of Public Rights	KK			Subject to confirmation from EY of audit
20/05/2020	Start of Period for the Exercise of Public Rights	SS			Subject to confirmation from EY of audit
21/05/2020	Executive Committee (Authority)	SS / KK			Q4 Revenue/Capital Outturn
22/05/2020	Management Review of Working Papers	SS			
01/06/2020	Final Accounts Audit (Authority) - Start		EY		Provisional Dates - subject to EY confirmation
19/06/2020	Final Accounts Audit (Authority) - End		EY		Provisional Dates - subject to EY confirmation
25/06/2020	Audit Committee (Authority)	SS / KK	EY		Update on Audit
	Covering Final Accounts Report	SS / KK			
	Executive Committee (Authority)	SS / KK			
01/07/2020	End of Period for the Exercise of Public Rights	SS			Subject to confirmation from EY of audit
02/07/2020	Special Audit Committee (Authority)	SS / KK	EY		
17/07/2020	Conclusion of Authority audit & issue of draft Audit Report		EY		Subject to confirmation by EY
31/07/2020	Statutory Deadline for Publication of Financial Statements				Audited Financial Statements

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **27 FEBRUARY 2020 AT 12:30**	**Agenda Item No:** 6 **Report No:** **AUD/108/20**

EXTERNAL AUDIT 2019/20 - AUDIT PLAN

Presented by the Director of Finance & Resources

SUMMARY

As part of the 2019/20 audit the Authority's external auditors (Ernst & Young) have produced a plan to cover the annual and end of year audit 2019/20. This plan is attached at Appendix A to this report.

The auditor's intention is to undertake a fully substantive audit which will review and report on the financial statements as well as arrangements for securing economy, efficiency and effectiveness in the use of resources. As in previous years it will include a review of the work of the internal auditors, including audit plans and reports, together with reports from any other work completed in the year. The plan also covers other mandatory audit procedures required by auditing standards as well as the financial statements and value for money risks.

Materiality will be assessed prior to the audit of the 2019/20 financial statements. The auditor uses gross assets as the basis of materiality to reflect the fact that the main focus of the users of the accounts has been assessed to be the Authority's stewardship of the assets, rather than the service expenditure.

The plan also highlights any potential risks for producing the financial statements and sets out the auditor's process, strategy and broad timetable.

The plan sets out the scale fee set by Public Sector Audit Appointments for 2019/20 at £14,337.

RECOMMENDATIONS

Members Approve:	(1)	the Authority's position regarding additional Audit Fees as set out at paragraph 6 of this report;
Members Note:	(2)	the External Auditors' Audit Plan for 2019/20 attached at Appendix A to the report; and
	(3)	the proposed annual audit fee for 2019/20 as set out in in the financial implications of this report.

BACKGROUND

1 The role of external audit is to provide an annual independent assessment of how the Authority is discharging its responsibility for the stewardship of public money.

The audit focusses not only on the financial statements but also on Value For Money, particularly in relation to the budget, levy and key projects, for example the Leisure Services Contract procurement.

The Auditors' conclusions are reported in their annual Audit Results Report later in the year following the Final Accounts Audit in the Summer. This Plan summarises their work to date and highlights risks which may arise during the course of the annual audit.

2 In previous years preliminary audit work (interim audit) was carried out to assess the Authority's arrangements for ensuring the proper conduct of its financial affairs. In discussion with officers the auditor has provided for this to be completed as part of the year end audit and this is included within the plan.

AUDIT PLAN 2019/20

3 The Audit Plan for 2019/20 is attached at Appendix A to this report. The Auditors are planning to commence all their audit work from the beginning of June and this will be concluded as part of the Annual Audit Results Report in July.

4 The scale fee for 2019/20 is £14,337 which is the same as that charged in 2018/19. However, the proposed fee by the auditor is likely to be higher and may not cover for the specific audit work and risks identified in section 1 (pages 4 & 5) of the plan which highlights potential risks that may impact upon the completion of the annual audit.

AUDIT LETTER 2018/29 AND ADDITIONAL FEES

5 Attached at Appendix B to this report is the Annual Audit letter for 2018/19 with a proposed additional fee. The auditor's assessment of the gross cost to Ernst & Young was £35,570. The proposal is that the Authority contribute an additional £10,232 on top of the £14,337 scale fee set by Public Sector Audit Appointments (PSAA). This means that Ernst & Young are proposing to cover £11,001 of their identified additional costs.

6 The view of officers and that expressed by Members at the last Audit Committee to this proposal is that they would resist any additional costs. The key points to note are summarised below:

- no "forensic" breakdown of the additional fees has been supplied to date;
- no evidence that the additional work carried out was outside the scope of the original scale fee;
- no account of the additional time resource put in by Authority officers to deal with the "inefficiencies"/resource problems of Ernst & Young during the Audit;
- the Authority's asset base and associated risks had not changed in a number of years. The Authority's valuer provided all detail, calculations and evidence;

- it is not clear why the Vale For Money work incurred additional costs;
- the pension calculation re McCloud and GMP judgments were provided by our actuaries at a direct cost to the Authority. Ultimately demonstrating that this was: a) not material; and b) highly speculative as no legal remedy was available at the time.

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 The scale fee set by PSAA to be charged by the External Auditor in 2019/20 is £14,337 and is the same as that charged in 2018/19.

10 This fee estimate does not include for any additional costs resulting from the specific audit risks identified in the plan. Officers believe the existing budget for the External Audit should be sufficient unless a material additional risk arises and therefore impacts upon the standard fee. Members will be kept appraised of this during the Audit and any potential variation will be reported to this Committee and the Executive Committee as part of the regular revenue budget monitoring.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

13 There are no risk management implications arising directly from the recommendations in this report although the audit plan does highlight financial statement risks that are likely to impact on the Audit and subsequently impact on the final fee.

14 If Members reject the auditor's proposal to the additional fees for 2018/19 the auditor may still submit these to PSAA who may agree with the auditor's assessment and deem the extra fee is payable. The written views of the Authority will be put to the PSAA if Members agree to resist the additional charge for 2018/19.

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ABBREVIATIONS

PSAA	Public Sector Audit Appointments

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/105/19	External Auditor's Audit Results Report – 2018/19 Accounts	19 September 2019

APPENDICES ATTACHED

Appendix A	The Audit Plan 2019/20
Appendix B	Annual Audit Letter for the year ended 31 March 2019

Lee Valley Regional Park Authority

Initial Audit planning report

Year ended 31 March 2020

February 2020

Private and Confidential

February 2020

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

Dear Audit Committee Members

Initial Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority. This follows our initial audit planning procedures and discussions with senior management on the Authority's key strategic, operational and financial risks on the 11th February 2020. We have agreed with the Authority's senior management a provisional timetable for our 2019/20 audit to take place from the end of May and during June 2020. We will be finalising the scheduling of the audit to take account of the Authority's timetable for the production of the financial statements, associated working papers and staff availability. In agreement with the Authority's senior management, we will not be undertaking any interim audit procedures but in the meantime we will continue to complete the remainder of our audit planning procedures to finalise the scope and strategy of our 2019/20 audit. We will update the Audit Committee on our final audit strategy, materiality levels prior to the audit of the Authority's 2019/10 financial statements and highlight where our initial assessment has changed during the course of the audit.

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

We welcome the opportunity to discuss this report with you on 27th February 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris

For and on behalf of Ernst & Young LLP

01 Overview of our 2019/20 audit strategy

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively. We will consider during the course of our audit whether in light of the Authority experiencing ongoing procurement and legal challenges, there is a heightened risk on the appropriate recognition and accounting for provisions.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	As noted above, under ISA 240, management is in a unique position to perpetrate fraud through the override of controls. We have considered the main areas where management may have the incentive and opportunity to do this. We have identified the inappropriate capitalisation of revenue expenditure on property, plant and equipment as an area of risk, given the extent of the Authority's capital programme.
Pension liability valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.
Valuation of land and buildings, including investment properties	Significant risk	No change in risk or focus	Property, Plant and Equipment (PPE) and Investment Properties (IP) represents not only significant balances in the Authority's accounts but drives the strategy and operational objectives of the Authority. Valuations are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE and IP balances held in the balance sheet. As the Authority's asset base (particularly six sports centres) remains significant and specialised, and the outputs from the valuer are subject to estimation, there is a higher inherent risk assets may be under/overstated or the associated accounting entries incorrectly posted. 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.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Management of the six sports venues	Significant Value for Money risk (Informed decision making)	New risk for 2019/20	On the 23rd January 2020, the Authority took a decision on the short term arrangements with the management of its six sport venues following the conclusion in October and November 2019 of its procurement for the future Leisure Services Contract. This decision followed a challenge to the outcome of the procurement from one of the bidders. This means that the Authority is currently unable to confirm, and where appropriate, change the contract provision for its Leisure Services until the conclusion of the legal challenge. Following a consideration of options, the Authority has taken a short term decision to bring the management of the six sports venue in-house from the 1st April 2020 once the current contract with Lee Valley Leisure Trust Limited expires on the 31st March 2020. We have obtained the Authority's decision making papers that were taken to the 23rd January 2020 meeting alongside the proposed 202/21 revenue budget and levy. We will review and corroborate the arrangements the Authority has and will continue to put in place before 31st March 2020 and in the period up to our audit opinion on the 2019/20 audit. We will specifically consider how the Authority has: • Explored options, alternatives and choices. • Mitigated procurement, financial, operational and reputational risks. • Obtained and considered relevant commercial, financial and legal advice. • Secured an effective transition to the in-house management of the six sports venues, including mitigation of any ongoing procurement and financial risks.
Going Concern: Compliance with ISA 570	Inherent risk	New risk for 2019/20	The revised standard increases the work we are required to perform when assessing whether the Authority is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee. Further details of these changes and the implications for our 2019/20 audit and future years audit procedures are shown on page 8.
IFRS 16 – readiness assessment	Inherent risk	New risk for 2019/20	Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable Authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020. Further details of these changes and the implications for our 2019/20 audit procedures are shown on page 9.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Lee Valley Regional Park Authority give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and

- Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Lee Valley Regional Park Authority audit, we will discuss these with management as to the impact on the scale fee.

Other areas of audit focus. Information on key changes

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

What is the risk/area of focus?	What will we do?
Going Concern Compliance with ISA 570 This auditing standard 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 Lee Valley Regional Park Authority will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether Lee Valley Regional Park Authority is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee. The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.' 'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'	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; • improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure 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. The revised standard extends requirements to report to regulators where we have concerns about going concern. We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.

Other areas of audit focus. Information on key changes

What is the risk/area of focus?	What will we do?
IFRS16 – leases	
IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset. Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to published, but in July 2019 CIPFA/LASAAC issued 'IFRS 16 leases and early guide for practitioners'. This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including: • the identification of leases • the recognition of right-of-use assets and liabilities and their subsequent measurement • treatment of gains and losses • derecognition and presentation and disclosure in the financial statements, • the management of leases within the Prudential Framework. The guidance also covers the transitional arrangements for moving to these new requirements, such as: • the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees • the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).	IFRS 16 – leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020. In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify: • all leases which need to be accounted for • the costs and lease term which apply to the lease • the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease. We will discuss progress made in preparing for the implementation of IFRS 16 – leases with the finance team over the course of our 2019/20 audit.

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards
- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code
- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

02 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]	▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is nil. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Independence

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

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 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf

03 Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

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

	Planned fee 2019/20	Scale fee 2019/20	Proposed Final Fee 2018/19
	£	£	£
Total Fee – Code work	Note 2	14,337	24,337 (1)
Total fees	TBC	**14,337**	**24,337**

All fees exclude VAT

(1) As reported in our 2018/19 audit planning report and audit results report to the Audit Committee, we undertook additional work in 2018/19 in relation to changes in scope on the valuation of the Authority's specialised assets (£5,000), the recognition of pension liabilities for McCloud and Guaranteed Minimum Pensions equalisation (£2,500) and our review of the Authority's arrangements for commercialisation of its assets and the progress of its Leisure Services procurement (£2,500). We have provided management with a proposed fee variation of £10,000 which has yet to be agreed. Subject to further comment from senior management and the Audit Committee, we will also supply this to PSAA to enable PSAA to determine the final fee for 2018-19 audit. We will provide an update on the final fee position determined by PSAA to the Audit Committee.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

(2) For 2019/20, the scale fee will be impacted by a range of factors (see page 4 and 5) which will result in additional work, on which we will update the Audit Committee, as the audit progresses. We will provide a further update to the Audit Committee on our proposed fees when we have finalised our audit strategy and prior to our audit of the 2019/20 financial statements.

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – February 2020 and May 2020
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 results report – July 2020

Required communications with the Audit Committee (continued)

		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 • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report - July 2020
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 • Corrected misstatements that are significant • Material misstatements corrected by management	Audit results report - July 2020
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 • A discussion of any other matters related to fraud	Audit results report - July 2020
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 - July 2020

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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	Audit planning report – February 2020 and May 2020 Audit results report – July 2020
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – July 2020
Consideration of laws and regulations	• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • 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 and Scrutiny Committee may be aware of	Audit results report – July 2020
Internal controls	• Significant deficiencies in internal controls identified during the audit	Audit results report – July 2020

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2020
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit results report – July 2020
Fee Reporting	• Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit planning report – February 2020 and May 2020 Audit results report – July 2020

Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	• Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. • Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. • Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • Concluding on the appropriateness of management's use of the going concern basis of accounting. • Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. • Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and • Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements. We will update the Audit Committee prior to our audit of the 2019/20 financial statements on our planned level of audit materiality. For the Authority, we typically base on our audit materiality on gross assets as opposed to service expenditure as we believe the Authority's stewardship of its assets influence the economic decisions of the users of the financial statements. We do set specific and lower testing thresholds to inform the level of work we perform on revenue transactions.

Materiality determines:

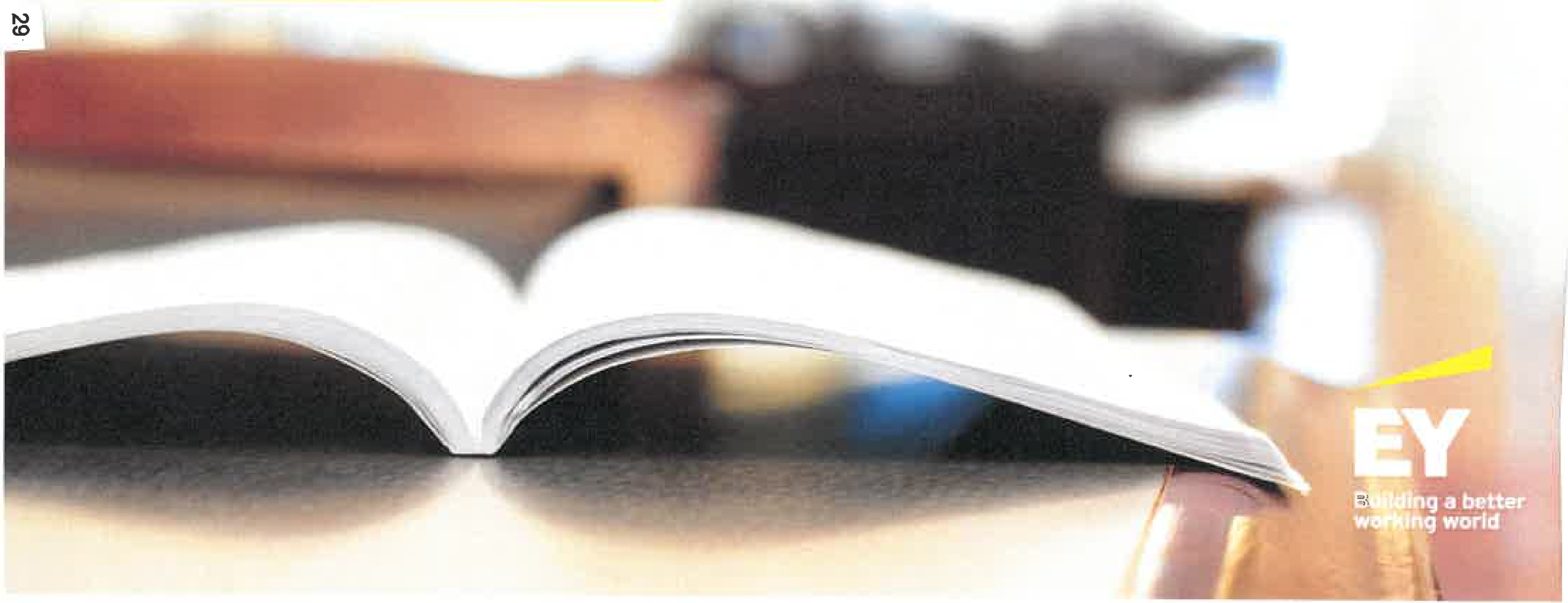
- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material during and at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Lee Valley Regional Park Authority

Annual Audit Letter for the year ended 31 March 2019

31 January 2020



Contents

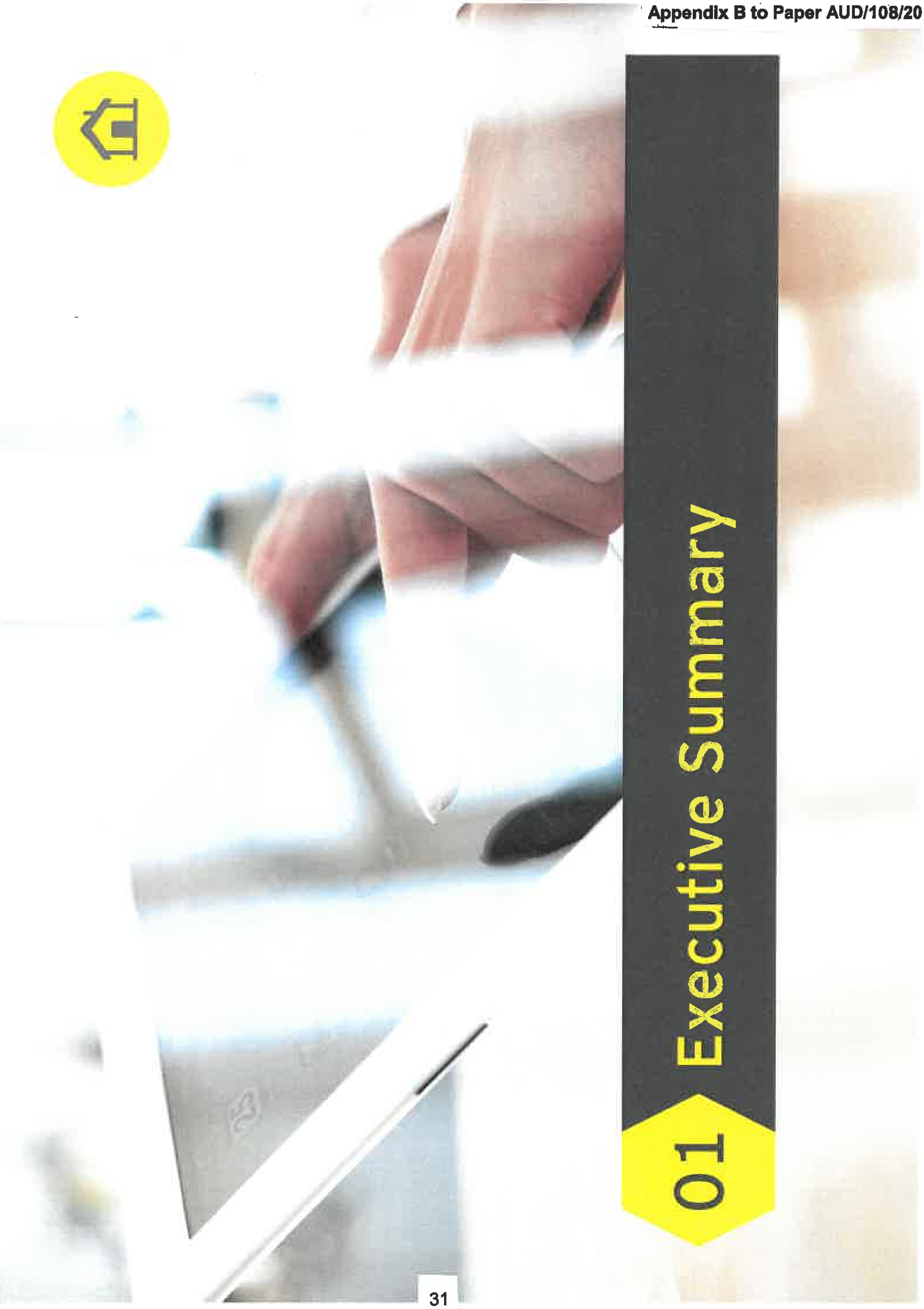
Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This 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 (updated April 2018)' issued by PSAA set 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Lee Valley Regional Parkl (the Authority) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We have no matters to report to date. We are in the process of concluding this work which will be finalised before the 13 September deadline.

Executive Summary (cont'd)

In addition we have also:

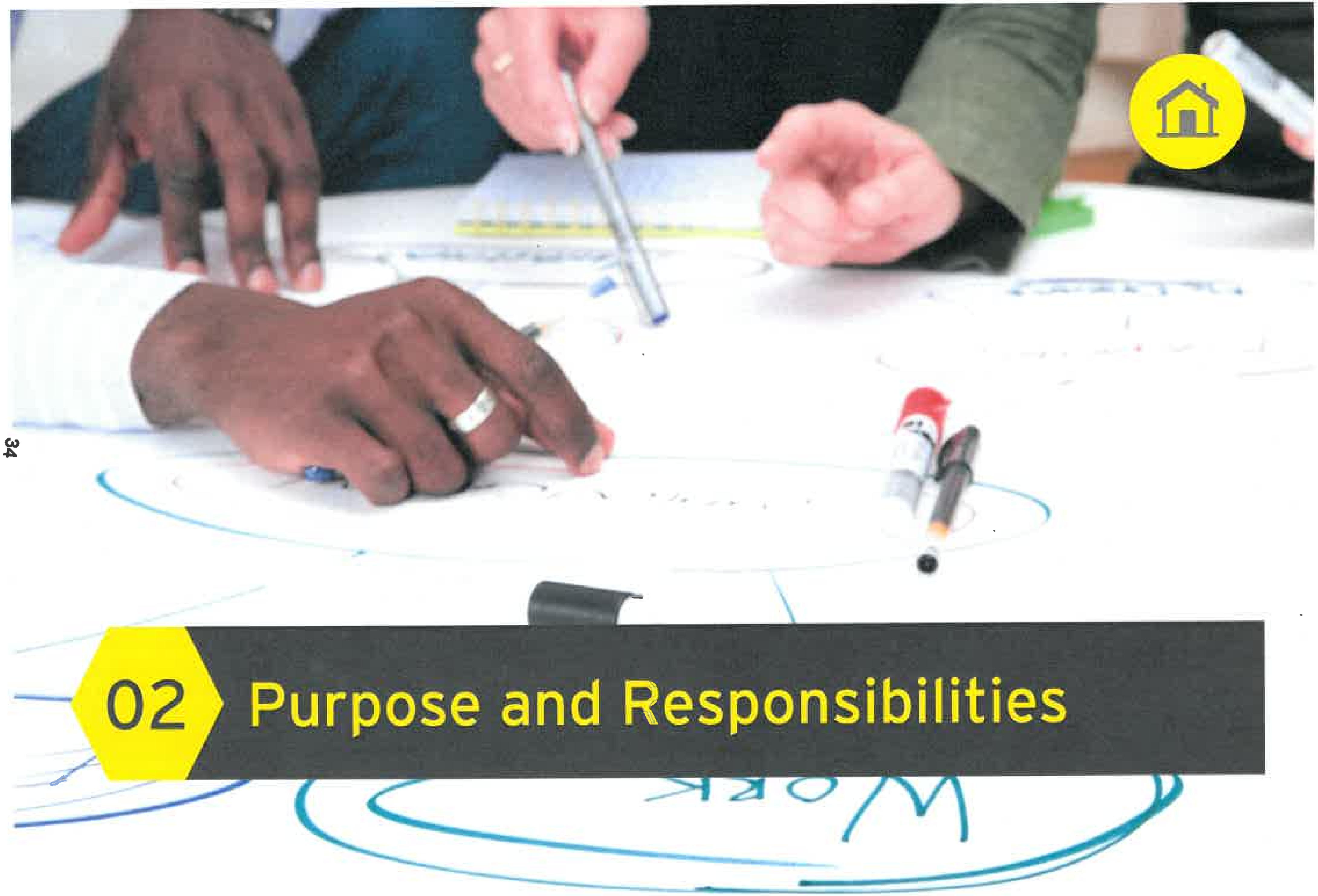
Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 19 September 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO's 2015 Code of Audit Practice.	We have not as yet issued our audit completion certificate. We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's WGA consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion and will be completing the WGA work before the 13 September deadline.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 19th September 2019. Finance, Audit and Risk Committee representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we presented at the January 2019 Finance, Audit and Risk Committee and is conducted in accordance with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. As auditors we are responsible for:

- Expressing an opinion:
  - On the 2018/19 financial statements; and
  - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
  - If the annual governance statement is misleading or not consistent with our understanding of the Authority;
  - Any significant matters that are in the public interest;
  - Any written recommendations to the Authority, which should be copied to the Secretary of State; and
  - If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the NAO on your WGA return.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

03 Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for it to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Authority's Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO and issued an unqualified audit report on 21 September 2019. We reported detailed findings to the 19 September 2019 Audit Committee.

We summarise here the key risks we identified and our conclusions.

Other Areas of Audit Focus	Conclusion
Valuation of Other Land and Buildings and Investment Properties The fair value of Property, Plant and Equipment (PPE) (£226.343 million) and Investment Properties (IP) (£5.176 million) represent significant balances in the Authority's accounts.	Our audit procedures above did not identify any material differences in the financial statements.
Pension Liability Valuation The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2019 this totalled £29.913 million.	The Authority has considered the impact of the national issues impacting all local authority pension schemes including the value of investments. We were satisfied that the uncorrected misstatements were not material and do not represent a significant misstatement.
New accounting standards The Authority had t implement two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are: ▸ IFRS 9 - Financial instruments ▸ IFRS 15 - Revenue from contracts ▸ IFRS 16 - Leases (2020/21).	FRS 9 - Financial Instruments: Our audit procedures for financial instruments did not identify any audit issues. IFRS 15 - Revenue from Contracts: Our audit procedures for revenue from contracts did not identify any audit issues. IFRS 16 - Leases: The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16.

Financial Statement Audit (cont'd)

Our application of materiality

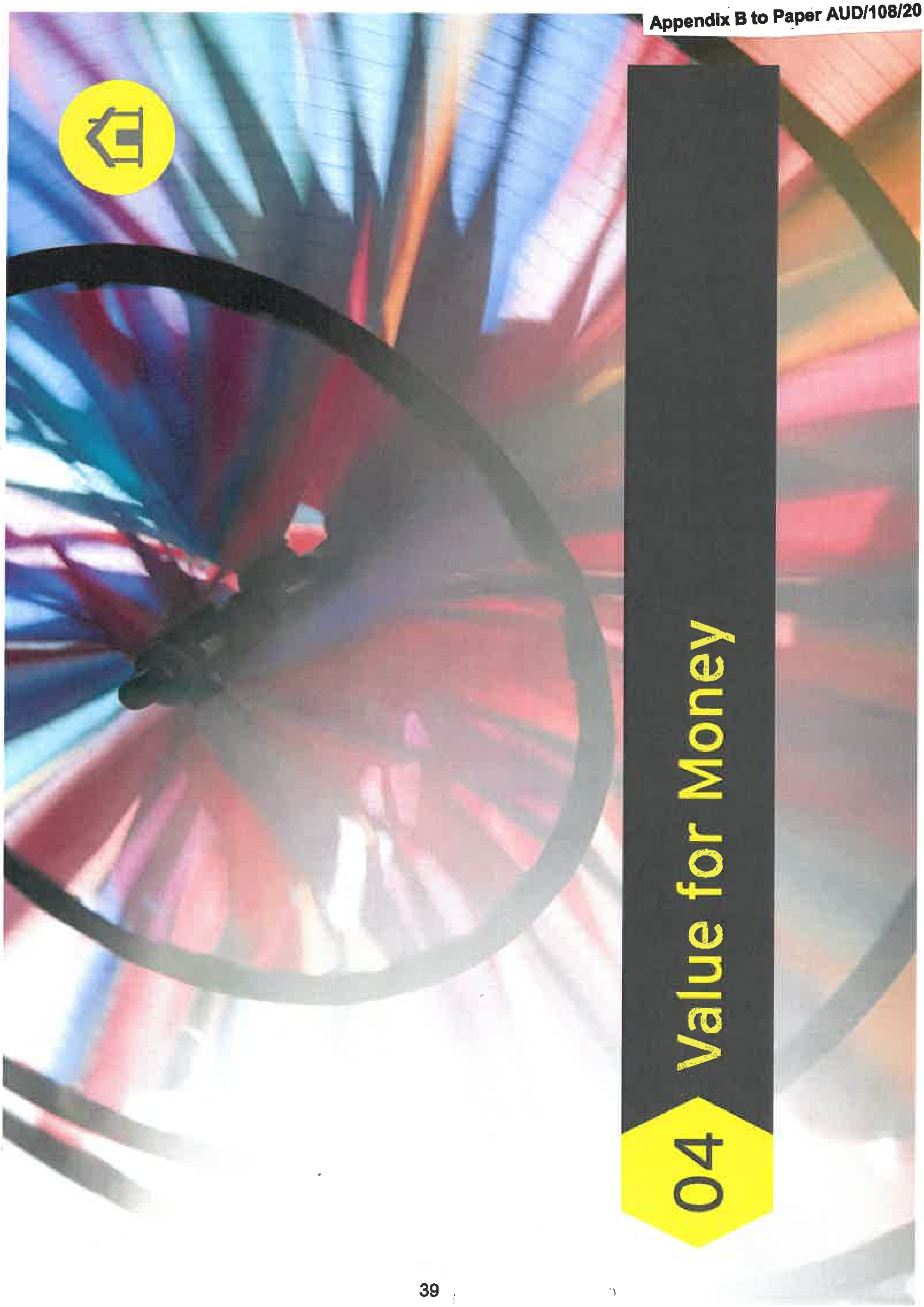
When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £4.726 million (audit plan – £4.742 million) which is 2% of gross assets reported in the accounts. This results in a performance materiality, at 75% of overall materiality, £3.544 (planning: £3.556 million). We consider gross assets to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.236 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

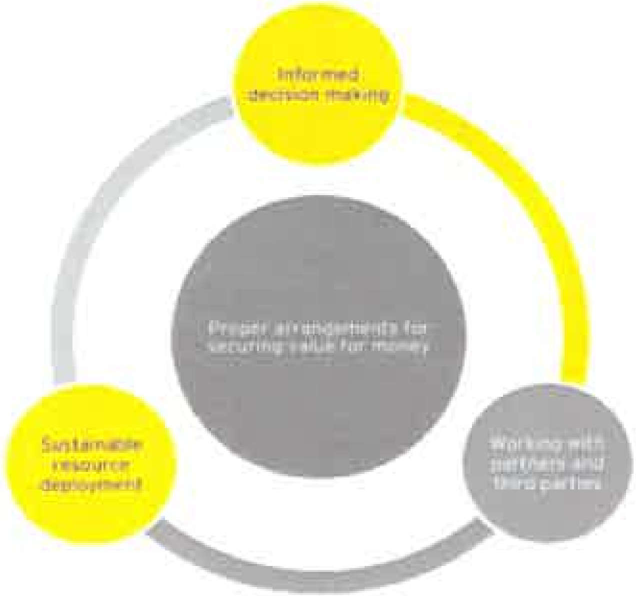
- Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



04 Value for Money

Value for Money



Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

In our Audit Plan we identified two significant risks

- Delivery of a robust Medium Term Financial Plan
- Commercialisation decisions to generate income and maximise the return from assets

The tables below present our findings in response to the risks in our Audit Planning Report

We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Delivery of a robust Medium Term Financial Plan	Deploy resources in a sustainable manner	We performed the following: • assessed the key assumptions made within the annual budget and the MTFP; • reviewed the progress made in identifying savings for 2019/20 and beyond; • commented on the extent of borrowing for investments and borrowing overall; • reviewed the funding strategy for realistic income targets. • reviewed the Authority's Capital Funding model and the impact of borrowing, if any, on the MTFP. We do not have any significant concerns and matters to report in relation to this risk.
Commercialisation decisions to generate income and maximise the return from assets	Take informed decisions Work with partners and other third parties	We reviewed the following: • underlying rationale for the proposed investments and clarity on how this sits with the Authority's strategy and objectives, including the consideration of options and alternatives; • legal powers and other advice obtained e.g. tax, investment decisions; • compliance with sections 46 and 47 of Statutory Guidance on Local Authority Investments and the Prudential Code; • clarity of governance arrangements for the Authority's decision making with regard to their regeneration and investment property decisions; • recognition and reporting of risks in the Corporate risk register; • robustness of assumptions from commercial developments in the Authority budget and medium term financial strategy; and • Authority's business planning process for undertaking commercial projects. We do not have any significant concerns and matters to report in relation to this risk.

Other matters to bring to your attention

Looking forward. Observations on where the Authority can secure continuous improvement in its arrangements.

Financial resilience:
The reliance on the annual revenue contribution is set to decrease, with an expectation that land sale receipts replacing this reduction. Whether this will continue in subsequent years is heavily dependent upon the success and valuation of land disposals. Should the Authority realise lower than expected land sale receipts, either the capital programme requirements will need to be reduced, alternative external financing sought (including borrowing) or greater reliance placed on the annual revenue contribution in order for the Authority to continue to act in a prudent, sustainable and affordable manner.

Commercialisation:
- The Authority should consider developing individual risk registers relating to major development projects.
- Whilst the Authority current has no significant borrowing commitments, this does not mean that it should not consider potential implications resulting from borrowing to deliver its medium to long term financial, treasury and capital strategy.

05 Other Reporting Issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 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 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the latest version of 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

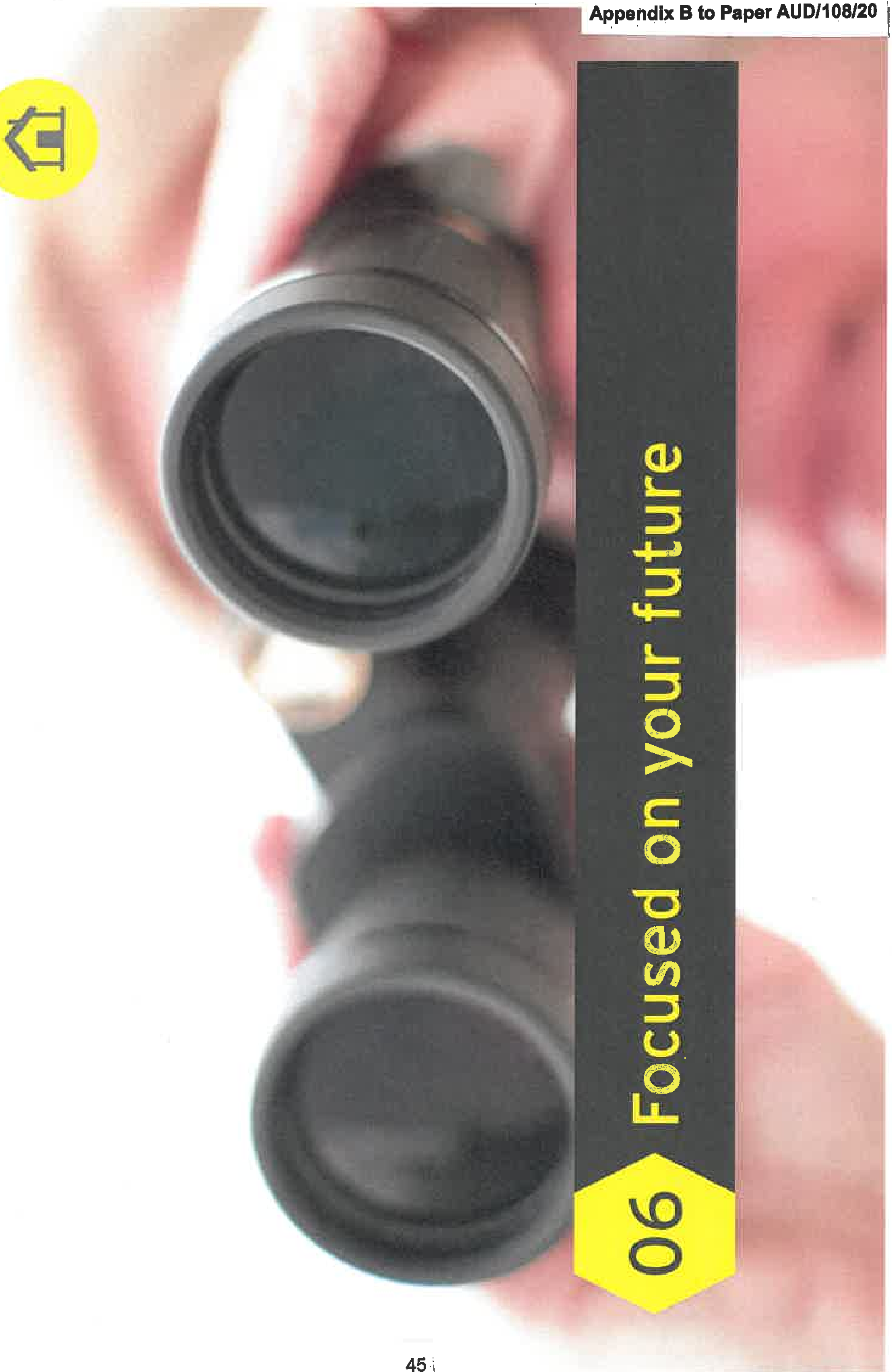
The Authority is below the threshold for requiring audit procedures on its WGA submission.

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.

06 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.	Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. We have considered the Authority's implementation plan and preparedness for IFRS 16. The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16. However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.
IASB Conceptual Framework	The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year. This introduces; - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. The conceptual frameworks is not in itself an accounting standard. However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.	It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements. However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.

07 Audit Fees

Audit Fees

In our Annual Results Report presented to the Audit Committee on 19th September 2019 we highlighted that we had carried out additional work to complete the audit and would seek to agree an additional fee with the Authority's Section 151 officer. In the table below we summarise the fees that we have agreed and that are now subject to approval by PSAA.

	Final fee 2018/19	Final Fee 2017/18
	£	£
Code work – scale fee	14,337	18,619
Additional fee areas:*		
- Pension liability	1,053*	-
- EYRE	6,997*	-
- VFM	2,183*	
Total audit	35,570	18,619
Other non-audit services not covered above	-	-
Total other non-audit services	-	-
Total fees	24,569*	18,619

All fees exclude VAT

* We have performed additional work resulting in an additional audit fee which we will seek to agree with the Authority and PSAA. The additional work related to the EY Real Estates review of the DRC assets and the additional audit procedures in relation to McCloud and GMP judgements, as well as the asset position compared with the estimated position.. Furthermore, additional work was required as a result of the significant VfM risk.

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ED None

EY-000070901-01 (UK) 07/18. CSG London.

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Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **27 FEBRUARY 2020 AT 12:30**	**Agenda Item No:** **7** **Report No:** **AUD/106/20**

RISK REGISTER 2019/20

Presented by the Director of Finance & Resources

SUMMARY

At each Audit Committee Members review the Risk Register for progress against existing actions and to ensure that the Risk Register remains relevant to deal with the corporate risks facing the organisation.

At the Audit Committee in June 2018 (Paper AUD/90/18) Members approved the updated risk management strategy and corporate risk register following the Risk Management Workshop held on the 7 June 2018. This workshop analysed and reviewed the risk management strategy and corporate risk register in detail to ensure that this Committee could proactively input into, manage and monitor the register going forward with up to date risks identified that are relevant to the Authority's business over the coming years.

The risk management strategy and corporate risk register assists Members in their consideration and approval of the Annual Governance Statement as a key part of the financial statements. A robust risk management framework and register is one key element of the Annual Governance Statement and a source of assurance for Members in approving this statement year on year as part of the published accounts.

RECOMMENDATION

Members Approve	(1)	the Corporate Risk Register included at Appendix A and the sub-register at Appendix B of this report.

BACKGROUND

1 Risk management is one of the key internal controls for an organisation. Members need to ensure that a sound system of internal control is maintained and an annual review of the effectiveness of the system of internal control is conducted to provide sufficient, relevant and reliable assurance to enable them to authorise the signing of the Authority's Annual Governance Statement (AGS) (which is published with the financial statements).

2 Regulation 3 of the Accounts and Audit Regulations 2015 requires that:

"A relevant authority must ensure that it has a sound system of internal control which -

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the authority is effective; and
(c) includes effective arrangements for the management of risk."

In this context "relevant authority" is referring to the Lee Valley Regional Park Authority.

3 Each financial year the relevant authority must –

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement - this statement must be published together with the statement of accounts and the narrative statement in accordance with Regulation 10.

4 Assurance of the Authority's internal control system is derived through the work of the internal audit function (undertaken by Mazars for the Authority); and also through the monitoring of processes put in place by management and other external bodies including those around risk management and health & safety. This provides evidence which allows the Authority to form conclusions on the adequacy and effectiveness of the systems of internal control and also on the efficiency of operations.

5 Risk management is not solely a focus on the finances of the Authority. The scope of internal control spans the whole range of the Authority's activities and includes those controls designed to ensure:

- the Authority's policies are put into practice;
- the organisation's values are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable; and
- human, financial and other resources are managed efficiently and effectively.

6 The Authority approved a Risk Management Framework in April 2005 (Paper A/3798/05). The Risk Management Framework and more specifically, the Risk Register, was developed by Members and senior officers under the guidance of the internal auditors through a number of workshops and meetings. Members have regularly reviewed the register at each Audit Committee, adding in their own comments and improvements.

7 Since this time Members have consistently (and in depth) reviewed the Corporate Risk Register and revised the strategy, format, and content. The strategy has been revised and updated twice since 2005 at the Audit Committee (May 2010, Paper AUD/06/10 and June 2012 Paper AUD/30/12). The strategy has been reviewed again by officers and Members as part of the risk management workshop and was formally approved by the Audit Committee in

June 2018 (Paper AUD/90/18).

REVIEW OF THE STRATEGIC RISK REGISTER

8 The current Strategic Risk Register is reviewed by officers and Members on an on-going basis and signed off at each Audit Committee.

9 Members last considered the risk register at the Audit Committee in September 2019 (Paper AUD/104/19).

10 Since the September Committee officers have incorporated approved Member revisions, reviewed the register, considered potential new risks and the scoring. This includes the risk sub-register that was considered and agreed by the Leisure Services Contract (LSC) Working Group to give greater detail and management emphasis to managing the risks and actions in relation to the LSC Contract Retender (Strategic Risk SR9). This is attached as Appendix B to this report.

The table below sets out the movement in managing the residual risks and sets out a summary of the total notional score.

11

Risk	Residual Risks 21 June 2018	Residual Risks 20 September 2018	Residual Risks 14 February 2019	Residual Risks 20 June 2019	Residual Risks 19 September 2019	Residual Risks 27 February 2020
	4	4	3	3	2	3
	7	7	9	9	9	7
	7	7	7	7	8	9
Total Risks	18	18	19	19	19	19
Notional Score	596	461	495	479	462	478

12 The key point to note since the last review of the register is the overall increase in the corporate risk register residual notional score. This is due to the increased operational and financial risks from the LSC Contract Retender (SR9) – moving from amber to red. This is also reflected within the sub-register where some of the individual risks are showing a deterioration. Decisions taken to mitigate these risks have been approved by full Authority and monitoring of these risks is taking place at Executive Committee, Senior Management and officer level. A verbal update will be presented at Committee to advise Members regarding progress.

Changes to the register are in red font to indicate changes since the last Audit Committee risk register paper and the changes due to risks within SR9 and the sub-register are highlighted red.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

15 Revision of the Strategic Risk Register is a key element of this Authority's system of internal control that contributes to safeguarding the assets of the Authority and its reputation for sound financial management of public funds. This is reflected in the Authority's Annual Governance Statement published within the annual accounts and approved by this Committee.

16 Where actions require additional resources these will be identified and approved through the normal budget setting/service planning and management processes in accordance with Financial Regulations.

HUMAN RESOURCE IMPLICATIONS

17 There are no additional human resource implications arising directly from the recommendations in this report. Actions have been set so that they can be met from existing employee resources.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

19 These are dealt with through the main body of the report and through the revised register. The Ice Centre; the Picketts Lock Development; the Leisure Services Contract retender projects; and the implementation of the Land & Property Strategy are recognised as potentially the highest corporate risks facing the organisation. Continuing mitigation against these identified risks is demonstrated by the proposed actions in the Strategic Register as set out in Appendix A to this report and primarily through implementing and delivering the approved Business Plan.

Author: Simon Sheldon, 01992 709 859, ssheldon@leevalleypark.org.uk

BACKGROUND REPORT

Lee Valley Regional Park Authority Risk Management Strategy June 2018

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/104/19	Risk Register 2019/20	19 September 2019
Audit Committee	AUD/101/19	Risk Register 2019/20	20 June 2019
Audit Committee	AUD/97/19	Risk Register 2018/19	14 February 2019
Audit Committee	AUD/94/18	Risk Register 2018/19	20 September 2018
Audit Committee	AUD/90/18	Risk Register 2018/19	21 June 2018
Audit Risk Workshop			07 June 2018

APPENDICES ATTACHED

Appendix A	2019/20 Corporate Risk Register – Authority
Appendix B	2019/20 Sub Register LSC retender (SR9)
Appendix C	Risk Scoring Criteria (extract from the approved risk management strategy (June 2018))

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STRATEGIC RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Updated Comments 27/02/2020	Updated Comments 19/09/2019
SR1	**Legal**																		
	Failure to comply with the 1966 Park Act and other statutory requirements.	DCS	8	7	56		Provision of Legal Services Member scrutiny through Authority & Committee meetings Annual Governance statement Park Act Awareness covered by inductions for new staff.	EA -Annual Audit Letter IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly	6	1	6		⇔	Tolerate	Continue Induction Process and monitoring of statutory changes	Quarterly	DCS	Ongoing	Ongoing
	Failure to comply with Health & Safety legislation	DFR	9	6	54		Health and Safety management H&S manual (procedures) regularly reviewed by RDHS who monitor up and coming legislation. H&S Policy Updated annually Risk Reduction Plan complete. External H&S Assessment 5* Annual Report to Audit Committee	RD/SMT 1/4ly Reports BSC 3 yr ext review RD Annual Audits M Year Report	7	2	14		⇔	Tolerate	Annual Internal Audit & H&S Audit Plans delivered.	31/03/2020	DFR	Annual Audits in progress and annual report to members in June	Annual Report & new year Plan approved June Audit Committee (AUD/102/19)
SR2	**Contractual**																		
	Agreeing to accept a partners' financial terms and conditions that will place an unacceptable long term liability on the Authority	DFR	9	4	36		Reports to SMTand Members Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code.	M Exec Monthly LA agreement	8	2	16		⇔	Tolerate	Ongoing resources review for specific projects	Quarterly	DCS/ DFR	Ongoing	Ongoing
	Contractors, Governing Bodies, or Trust not delivering agreed objectives/contract	DFR	7	6	42		All contracts reviewed prior to commencement by a responsible officer. Delivery monitored by Director/Head of Service and performance monitoring team Quarterly Performance Reports to Executive & Scrutiny Committees	M Exec Monthly M Scrutiny 1/4ly	6	2	12		⇔	Tolerate	Quarterly Contract monitoring.	Executive Quarterly Monitoring	HSL	Contracts working well and an extension to the Health & Safety contract has been agreed and will start April 1st. Contractor appointment for new LSC delay.	Contracts working well with few issues. The Trusts performance re the LSC is detailed within the Sept Exec Members paper.
	Management of Facilities Contracts & failure to maintain assets to a good H&S and operational standard	DCS	9	4	36		Advice and support APMD plus external contractors. Quality contactors employed for maintenace through procurement (Price Quality ratio applied)	APMD Annual Inspections	7	3	21		⇨	Treat	Ongoing Monitoring	Annual Inspections & Review. MPG Work complete by 31.12.19	APMD	Maintenance Performance Guide audits still being undertaken by Performance Team and then an actions picked up by APMD team.	Maintenance Performance Guide audits undertaken by Performance Team and then reviewed by APMD team.

STRATEGIC RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score	RAG	Existing Controls	Source of Assurance (EA Ext Audit; IA Int Audit; SMT Sr Mgmt Team; RD H&S; M Members; BSC H&S; LA Legal Advice; APMD Asset Mgmt Team; EC Ext Consult)	Residual Risk Score: Impact	Likelihood	Total Score	RAG	Direction	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Updated Comments 27/02/2020	Updated Comments 19/09/2019
SR 3	**Resources**																		
	I.T. infrastructure does not meet future business need requirements. Authority requires funding for updating or improving I.T Infrastructure	DFR	9	4	36	Yellow	Reports to Members Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code. Existing IT Infrastructure budget £100K pa	SMT Weekly Meeting Minutes IA Audit Plan EA -Annual Audit Letter	8	3	24	Yellow	⇨	Treat	Support Services Review for new Contract post 2020	31/03/2020	DFR	Payroll implementation underway and completed by March. Systems decoupling ongoing	Payroll review complete requires SMT sign-off. Systems decoupling ongoing
	The Authority fails to recruit/retain staff at all levels of the appropriate calibre	CEO	8	8	64	Red	Reward & Recognition Training & development framework Management Away Days Staff presentations Internal/External communications Up to date staff handbook Up to date policies	M Annual Sickness Report M -Policy Reports SMT Annual Training panel	4	4	16	Green	⇨	Treat	Ongoing Monitoring	On-going	CEO/ DFR	Support Services decoupling complete. HR/LD Strategy drafted as part of 2020-25 business plan. New management structure approved by Executive.	Support Services decoupling for final 3 posts. HR & LD Strategy drafted as part of 2020-25 business plan. Management Structure review underway.
SR 4	**Financial Management**																		
	Financial Risks of over/under spent budget through non-achievement of income targets or inaccurate budget forecasting. Insufficient Resources to meet objectives	DFR	9	9	81	Red	Budget monitoring reports Authority/Trust monitoring Meetings Joint Chairs Meeting Budget Review 2020/21 complete Medium Term Financial Plan £3-4m Minimum Reserves Policy Statutory Power to Levy	M Exec 1/4ly M Authority Annual Budget SMT Monthly & 1/4ly Reports	7	2	14	Yellow	⇨	Treat	Budget Review 2020/21	23/01/2020	DFR	Medium Term Financial Plan, key aspects of 2025 business plan all considered as part of Budget and Levy Paper in January.	New 2020-25 business plan and MTFP for Members consideration during Autumn 2019

STRATEGIC RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Updated Comments 27/02/2020	Updated Comments 19/09/2019
SR5	Governance & Leadership																		
	Lack of a clear corporate direction	CEO	9	9	81		Authority meetings SMT Business Plan 2016-19 MTFP to 2024 Levy Strategy Land & Property Strategy Vision 2010-2020	M 1/4ly Authority Meetings M Working Groups SMT Weekly Meeting Minutes	9	2	18			Tolerate	Set out 2020-2025 Business Plan	23/01/2020	CEO	Medium Term Financial Plan, key aspects of 2025 business plan all considered as part of Budget and Levy Paper in January. Ongoing financial risks due to SR9 and subject to Executive & SMT Monitoring	New business plan prepared for 2020-2025 ahead of the budget round in the Autumn.
	Challenge to Authority's powers to raise the Levy on all constituent councils	CEO	9	9	81		Stakeholder engagement Clear Budget/Levy Direction Funded Financial Plan Statutory Levy Raising Powers Monitoring of Legislation	SMT Weekly Meeting Minutes LA as needed	9	1	9			Tolerate	Set out 2020-2030 Vision	Quarterly Monitoring 23/01/2020	CEO	Ongoing	Ongoing
SR6	Reputation/Communication																		
	Impact on Authority's reputation due to service failure, damaged stakeholder and/or contractor relationships.	HC	7	5	35		Managed via Contract Stakeholder updates Feedback/liaison with Trust Stakeholder Communications Speaker engagements Existing media relations	SMT Weekly Meeting M 1/4ly Authority Meetings M Exec Monthly Stakeholder Perception KPI	6	3	18			Treat	Regular client meetings	Quarterly Monitoring Report	HC	Comms planning underway for 6 LSC and non-LSC venues. Reviews taking place of current Trust activity. Resource being deployed to manage new priorities from 1 April. Authority part of the Marketing Steering Group for ECA Canoe Slalom European Championships.	Ran proactive summer campaign for park as a destination. Used Canoe Slalom World Cup 2019 to engage stakeholders. Continued work with Trust on brand

STRATEGIC RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Lead	Inherent Risk Score: Impact	Inherent Risk Score: Likelihood	Inherent Risk Score: Total Score		Existing Controls	Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult	Residual Risk Score: Impact	Residual Risk Score: Likelihood	Residual Risk Score: Total Score			Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Updated Comments 27/02/2020	Updated Comments 19/09/2019
SR7	**Business Continuity**																		
	Inadequate business continuity implementation at any (all) sites following natural disaster, IT failure including Cyber Terrorism, Flooding, Disease Outbreak (animals/humans), Terrorism.	CEO	6	5	30		Emergency Action Planning IT Disaster Recovery Plan Business Interruption Insurance Adequate Cover arrangements exist for Senior Management Site DRP & Management Plans Joint Trust/Authority Training Insurance Policies/Funds General Reserves H&S Audits Working with EA/CRT and other Local Authorities	EA -Annual Audit Letter IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly	5	3	15			Treat/ Transfer	Audit Recommendations implemented Further training and testing. Trust Risk Register - alignment re risk and continuity	Quarterly Monitoring	HSL	Process in place for 2019/20. Health Safety contract review was completed to ensure fit for purpose come April 1st but this is now being revised to reflect the venues coming back in house.	Process in place for 2019/20. Health Safety contract review to ensure fit for purpose come the start of the new LSC and 2025 business plan.
SR8	**Environmental Management**																		
	Failure to manage contamination could be a risk to users, this includes land and/or water contamination (also damage to reputation from failing to manage contamination)	DCS	9	9	81		Site investigations carried out prior to developments & land remediated. Site Investigations carried out on some other sites. Some sites monitored. Sites closed to public access where contamination is significant. Contaminated Land Policy Member Task & Finish group Completion of Conraminated Land Strategy & Policy Consultant Site Investigations work completed.	M 1/4ly Authority Meetings M Working Groups M Exec Monthly SMT Weekly Meeting Minutes	7	2	14			Tolerate	Ongoing monitoring	Ongoing Monitoring plus analysis when land sold/purchased or developed	DCS	Ongoing monitoring in line with Land Contamination Strategy & Policy	Ongoing monitoring in line with Land Contamination Strategy & Policy

STRATEGIC RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Updated Comments 27/02/2020	Updated Comments 19/09/2019
SR9	**Major Business Developments**																		
	Ice Centre Failure in Strategic Risks 1-8 above in the development of the Ice Centre circa £30m project and Legal Challenge	CEO	9	8	72		Legal Advice Prudential Code Feasibility Studies Member Steering Group Existing PR/Comms Feasibility budget Working with LB Waltham Forest Planning Advice	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Audit Plan EA -Annual Audit Letter	9	7	63			Treat	Planning Approval Business Plan Design Team Engagement stakeholders, users and local community	08/10/2020	HSL	The planning application was submitted in December 2019 and validated in January 2020. The consultation period is now underway and stage 4 design will start in March along with the procurement of a contractor to build the venue.	Stage 3 continues well and the stage 3 designs are now fixed for submission for planning. The consultation period has also finished and has been very positive.
	Picketts Lock Development Failure in Strategic Risks 1-8 above in the development of the Picketts Lock circa £40m project and Legal Challenge	CEO	8	8	64		Legal Advice Prudential Code Feasibility Studies Existing PR/Comms Feasibility budget Working with LB Enfield Planning Advice Land & Property Member Group	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Audit Plan EA -Annual Audit Letter	8	7	56			Treat	Planning Approval Business Plan Design Team Engagement stakeholders, users and local community	31/03/2020	DCS	Site investigations completed. Further discussions with developer and London Borough of Enfield ongoing.	Site investigations ongoing.
	Leisure Services Contract Retender Failure in Strategic Risks 1-8 above in the retender of the Leisure Services Contract circa £20m and potential Legal Challenge	CEO	9	5	45		Legal Advice Procurement Regulations Medium Term Financial Plan Existing PR/Comms External Consultants Member Steering Group Market Engagement & Specification Tender Exercise Complete	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Audit Plan EA -Annual Audit Letter	9	8	72			Treat	Tender Evaluation Award of Contract	**31/03/2020**	**CEO**	Preferred Contractor selected and approved by Members. Legal challenge to procurement subject to court decisions.	Best and Final submissions due mid September and final evaluation. Member report re contract award in October

STRATEGIC RISK REGISTER AS AT 27 FEBRUARY 2020

		Inherent Risk Score						Residual Risk Score											
Risk ID	Risk Name	Lead	Impact	Likelihood	Total Score		Existing Controls	Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Updated Comments 27/02/2020	Updated Comments 19/09/2019
SR10	**Implications of Implementing Land & Property Strategy**																		
	Purchases- Opportunity Cost of Resources, Reducing Available Resources or increasing future liabilities	DCS	8	6	48		Legal Advice -Park Act Park Act L&P Strategy Land Contamination Strategy Medium Term Financial Plan Land & Property Working Group	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Audit Plan EA -Annual Audit Letter	7	2	14			Tolerate	Seek External Advice incl. Planning Context. Identify Resources Members Decision. Ongoing Monitoring. Consultation	31/03/2020	HoP	Property now purchased. No new purchases currently planned.	Property referred to in previous comment returned to the market and the Authority's offer has now been accepted and the acquisition is currently proceeding.
	Disposals - Legal challenge, Reputational Damage, reduced public access or bio diversity.Failure to deliver anticipated capital resources through land disposal due to the constraints imposed by the riparian boroughs/districts and other agencies, e.g. green belt/flood risk/contaminated land	DCS	8	7	56		Legal Advice -Park Act Park Act L&P Strategy Medium Term Financial Plan Land & Property Working Group	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Audit Plan EA -Annual Audit Letter	8	5	40			Treat	Seek External Advice incl. Planning Context. Members Decision. Consultation	31/03/2020	HoP	All planned 2019/20 disposals completed.	Three disposals completed early in 2019/20 with one further due for completion. Risk likelihood reduced to moderate.
SR11	**Impact of Brexit on Authority**																		
	Failure in Strategic Risks 1-10 above due to changes in the Economic and Business climate brought about by changes following the departure from the European Union	CEO	7	9	63		Legal Advice Medium Term Financial Plan General/Capital Reserves Treasury Management Policy Annual Investment Strategy Prudential Code Power to Levy Land & Property Member Group Annual/Triennial pension valuations	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Audit Plan EA -Annual Audit Letter	6	6	36			Treat	Monitor: Land Sales Interest rates Third Party investors/ stakeholders Legal framework Pension valuations	Ongoing	DF/ DCS	Potential risk needs ongoing monitoring particularly in relation to finances and future strategic investments, and 3rd party contacts	Potential risk needs ongoing monitoring particularly in relation to finances and future strategic investments, and 3rd party contacts

Score 45-81 High Risk
Score 18-42 Moderate risk
Score 1- 16 Low risk

Progress in a positive direction is reducing the risk
Progress is negative and risk is getting worse.
Progress static subject to actions or as risk is "tolerated"

LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S. M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult PR Performance Review	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Comments 27/02/2019	Comments 19/09/2019
SR1	**Legal**																		
	Failure to comply with Public Procurement Regulations	DCS	7	9	63		Provision of Legal Services Member scrutiny through LSC Working Group, Authority & Committee meetings Ext Consultants Support Internal Audit	LA In house IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly M LSC Group EC advice	5	1	5			Tolerate	Continue to receive external consultancy advice and report to Members	Monthly	HSL	Members received and approved report on final assessed tenders and appointed highest scorer	Best and Final submissions due mid September and final evaluation. Member report re contract award in October
	Process delayed by legal challenge before November 1st 2019	DCS	7	8	56		Provision of Legal Services Member scrutiny through LSC Working Group, Authority & Committee meetings Ext Consultants Support In house staff work plans prioritised	LA In house IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly M LSC Group EC advice	9	8	72			Treat	On going monitoring and assessment of procurement at Officer & Member commissioning groups. Report on outcome of tendering process	Weekly	HSL	[illegible]	Ongoing
SR2	**Contractual**																		
	New contractual arrangements not in place by 1 April 2020	DCS	7	8	56		Reports to SMT and Members Financial/Legal/Risk Implications fully appraised. Ext Consultants Support In house staff work plans prioritised Project Timetable/Plan	SMT Weekly Meeting Minutes M Exec Monthly M LSC Group EC advice LA contract	9	8	72			Treat	Ongoing resources review for contracts Work plan priority	Weekly	DCS	[illegible]	LSC officer project management group plus agreed timetable. Plus tasklist
	Existing Service deteriorates as current contract nears end causing failure to delivering on agreed objectives, contractual requirements or terminating contract prior to commencement of new contract	DFR	6	6	36		Delivery monitored by Director/Head of Service and performance monitoring team Quarterly Performance Reports to Executive & Scrutiny Committees.	M Exec Monthly M Scrutiny 1/4ly IA Audit Plan SMT Weekly Meeting Minutes LA current contract	6	4	24			Treat	Quarterly Contract monitoring. Contractor Service Plan for 2019/20 Agreed	Executive Quarterly Monitoring	DFR	Q2 LSC monitoring report to Executive 19/12/19. Q3 LSC monitoring report due to Executive 27/2/20.	Q1 LSC monitoring report to Executive 19/09/19
	Management of Facilities Contracts & failure to maintain assets to a good H&S and operational standard	DCS	9	4	36		Advice and support APMD plus external contractors. Quality contactors employed for maintenance through procurement (Price Quality ratio applied). Performance department regular inspections carried out	APMD Annual Inspections PR Monthly inspections M Exec Monthly M Scrutiny 1/4ly	9	3	27			Treat	Ongoing Monitoring Implement pre 2020 condition survey work	Annual/ Monthly Inspections & Review.	APMD	Asset Management plan 2019/20 and 2020/21 to address condition survey	Asset Management plan 2019/20 and 2020/21 to address condition survey

LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score	RAG	Existing Controls	Residual Risk Score: Source of Assurance (EA Ext Audit, IA Int Audit, SMT Sr Mgmt Team, RD H&S, M Members, BSC H&S, LA Legal Advice, APMD Asset Mgmt Team, EC Ext Consult, PR Performance Review)	Impact	Likelihood	Total Score	RAG	Direction	Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Comments 27/02/2019	Comments 19/09/2019
SR 3	Resources																		
	Inadequate I.T. Infrastructure/ Systems/Data for new LSC.	DFR	7	5	35		Reports to Exec Financial/Legal/Risk Implications fully appraised. Financial Appraisal of relocation/updating of Authority IT assets New Usage Counters Project Existing IT Infrastucture Budget	SMT Weekly Meeting Minutes IA Audit Plan EC - LSC Specification	7	8	56			Treat	Review for Procurement process Review for new Contract post 2020	31/03/2020	DFR	Systems and licences decoupling progressing Payroll review re post 2020 requirements complete Temporary requirements needed from 1 April 2020	Systems and licences decoupling progressing Payroll review re post 2020 requirements complete and awaiting SMT sign-off.
	Inadequate Support Services to mitigate legal challenge during procurement process and to ensure adequate resources for contract mobilisation	DFR	7	8	56		Approved Process Authority Secondments resolved TUPE agreements Initial staff transfers confirmed Staff re-induction to LVRPA Internal/External communications	SMT - Weekly Meeting Minutes M - Exec Monthly LA -Confirmation on TUPE arrangements	6	1	6			Tolerate	Support Services Review implemented for the time between Nov 2018 to Oct 2019 then post April 1st 2020	31/10/2019	DFR	Support Services Decoupling complete.	Support Services decoupling for final 3 posts completed over next couple of months
SR 4	Financial Management																		
	Financial Risks of contractor failure and Authority to assume control of venues	DFR	9	6	54		Authority monitoring Meetings Joint Board Meetings £4m Minimum Reserves Policy Statutory Power to Levy	M Exec 1/4ly M Authority Annual Budget SMT Monthly & 1/4ly Reports	9	8	72			Treat	Budget Review & MTFP Explore the setting up of skeleton trust	31/09/2019	DCS	Members approved the temporary transfer back in house while legal challenge remains	Planned Autumn action.
SR5	Governance & Leadership																		
	Contractor fails to provide the governance structures and leadership to deliver the statutory, financial and best practice requirements of the contract.	CEO	7	7	49		Authority/Contractor SMT meetings Joint Chairs meetings LSC contract Performance Monitoring Compliance with statutory bodies eg Charities commission/company law	M 1/4ly Authority Meetings M Working Groups M - Exec Monthly SMT Weekly Meeting Minutes LA In house EA Ext Audit IA Int Audit	7	2	14			Treat	Review Authority/ Contractor SMT meetings. LSC Rentender documentation Specification compliance and due diligence	30/11/2019	CEO	Preferred bidder selected and approved and meets requirements	Best and Final submissions due mid September and final evaluation. Final bidders meet requirements.

LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Inherent Risk Score Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult PR Performance Review	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Comments 27/02/2019	Comments 19/09/2019
SR6	**Reputation/Communication**																		
	Retendering of the contract requires engagement in the wider market including the existing contractor. Failure to deliver a fair and transparent process could damage the Authority's reputation in this and future tendering processes	HSL	7	7	49		External Consultants Employed (SLC) to support in-house legal specialists and Authority SMT Authority Governance structures Authority Legal Team PR Comms team Internal/External auditors	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Procurement process EA Annual Report re VFM	5	1	5			Tolerate	PR/Comms team to manage external communications Employment of Stakeholder engagement consultants	31/05/2019	HSL	Complete	Complete
SR7	**Business Continuity**																		
	Inadequate business continuity implementation during procurement phase and during mobilisation of new contract.	CEO	7	7	49		Emergency Action Planning IT Disaster Recovery Plan Business Interruption Insurance Adequate Cover arrangements exist for Senior Management Site DRP & Management Plans Joint Trust/Authority Training Insurance Policies/Funds General Reserves H&S Audits Support Services Decoupling IT/ HR/Finance	EA - Annual Audit Letter IA Audit Plan and monitoring visits SMT Weekly Meeting Minutes M Exec Monthly	7	4	28			Treat	Audit Recommendations implemented Further training and testing. Align Contractor Risk Register - to Authority risk register to ensure continuity	Quarterly Monitoring	HSL	Authority contract mobilisation team in place work programmes and actions in progress. This is being adjusted based on the decision to bring the venues back in house for a period of time.	Trust provided assurances between now and the end of the current contract. Ongoing monitoring continues plus quarterly reports to Executive.

LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 27 FEBRUARY 2020

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RDM H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult PR Performance Review	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Comments 27/02/2019	Comments 19/09/2019
SR8	**Major Business Developments**																		
	Leisure Services Contract Retender Failure in Strategic Risks 1-7 above in the retender of the Leisure Services Contract	CEO	9	5	45		Legal Advice Procurement Regulations Medium Term Financial Plan Existing PR/Comms External Consultants Member Steering Group Market Engagement SMT Specification monitoring.	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Audit Plan EA -Annual Audit Letter	9	8	72			Treat	Scoring team who will be independently trained to score the bids. Separate panel three officers (1 external) who will be the check and challenge for all areas relating to the scoring. Internal Audit	31/10/2019	CEO	Members approved the temporary transfer back in-house while legal challenge remains	Comments set out above. Tender Exercise still on target
	Leisure Services Contract Retender Failure to appoint contractor for new Leisure Service Contract.	CEO	8	3	24		Legal Advice Procurement Regulations External Consultants Member Steering Group Procurement regulations diligently followed through process	EC Reports SMT Weekly Meeting Minutes M Exec Monthly M 1/4ly Authority Meetings M Working Groups IA Audit Plan EA -Annual Audit Letter	9	8	72			Treat	Explore setting up a skeleton trust to be established as part of Business Continuity Plan for maintaining service provision.	30/11/2019	CEO	Members approved the temporary transfer back in-house while legal challenge remains	Submissions received and subject to evaluation should allow one to be appointed as preferred contractor.
					584						453								

Score 45-81 High Risk

Score 18-42 Moderate risk

Score 1- 16 Low risk

Progress in a positive direction is reducing the risk.

Progress is negative and risk is getting worse.

Progress static subject to actions or as risk is "tolerated"

Risk Appetite

Risks are currently assessed using a 1-9 scale for both impact and likelihood. The Authority's risk appetite is then defined using the scoring matrix below.

Impact									
9	9	18	27	36	45	54	63	72	81
8	8	16	24	32	40	48	56	64	72
7	7	14	21	28	35	42	49	56	63
6	6	12	18	24	30	36	42	48	54
5	5	10	15	20	25	30	35	40	45
4	4	8	12	16	20	24	28	32	36
3	3	6	9	12	15	18	21	24	27
2	2	4	6	8	10	12	14	16	18
1	1	2	3	4	5	6	7	8	9
	1	2	3	4	5	6	7	8	9

Likelihood

Those risks with a residual score in the green zone are generally considered to be managed to an acceptable level and hence limited or no further actions would be expected.

For those risks with a residual score in the amber zone, the exposure is considered to be partially acceptable. Further actions would be needed to lower this into the green zone, although a decision has to be made as to whether this is cost effective, given that resources are constrained.

Those risks with a residual score in the red zone are considered to have an exposure that is at an unacceptable level and hence further actions are needed to lower this.

On some occasions a decision may be made to accept a higher level of residual risk, although this will be subject to ongoing review and consideration at both Senior Management Team and Member level.

Scoring Criteria

Each risk is scored on the basis of the following criteria for impact and likelihood, both for inherent and residual risk. Whilst the assessment remains subjective, these criteria serve as a guide and are used to help ensure consistency in scoring across each of the risks identified.

	Impact	Likelihood
1	No impact	<1% likely to occur in next 12 months
2	Financial loss up to £1,000 or no impact outside single objective or no adverse publicity	1%-5% likely to occur in next 12 months
3	Financial loss between £1,000 and £10,000 or no impact outside single objective or no adverse publicity	5%-10% likely to occur in next 12 months
4	Financial loss between £10,000 and £25,000 or minor regulatory consequence or some impact on other objectives	10%-20% likely to occur in next 12 months
5	Financial loss between £25,000 and £50,000 or impact on other objectives or local adverse publicity or strong regulatory criticism	20%-30% likely to occur in next 12 months
6	Financial loss between £50,000 to £250,000 or impact on many other processes or local adverse publicity or regulatory sanctions (such as intervention, public interest reports)	30%-40% likely to occur in next 12 months
7	Financial loss between £250,000 to 500,000 or impact on strategic level objectives or national adverse publicity or strong regulatory sanctions	40%-60% likely to occur in next 12 months
8	Financial loss between £500,000 to £1 million or impact at strategic level or national adverse publicity or Central Government take over administration	60%-80% likely to occur in next 12 months
9	Financial loss above £1 million or major impact at strategic level or closure/transfer of business	>80% likely to occur in next 12 months